



Industry Outlook for 2020: Merchandise, Gift Card, and Event Gifting

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Optimism Abounds and the Data Show the Bar is Rising

The *IRF Industry Outlook for 2020* study shows a positive outlook for the incentives industry based on an expected strong economy. Budgets are increasing in most areas, and it is anticipated the use of rewards will continue to grow. The current outlook represents a great opportunity for incentive programs, while also challenging program owners to seek ways to raise the bar to motivate and reward performance.

The study was conducted with 377 incentive industry professionals comprised of 45% corporate buyers, 21% suppliers, and 33% third party incentive providers. The data was 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)



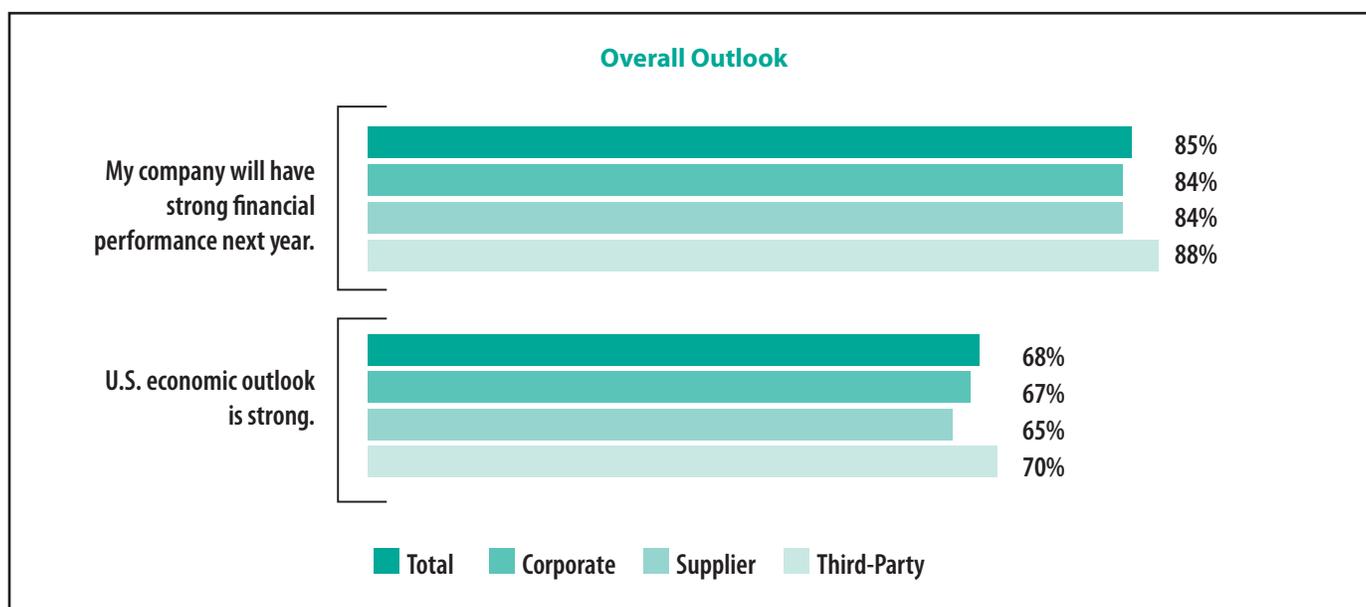
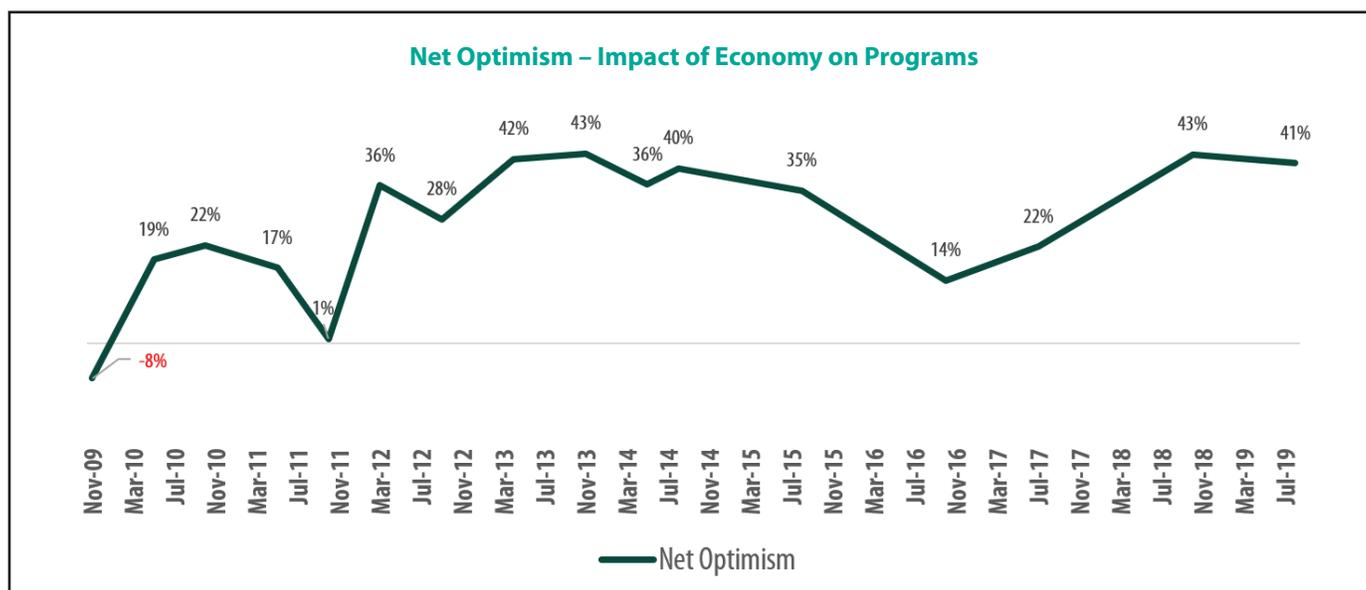
Third Party (e.g., Incentive Company, Travel Agency, Consultant)

Optimism is High

Incentives industry professionals remain optimistic about both the economy and corporate performance. The IRF continued to track its 'net optimism' metric, where those holding negative views of the economy are subtracted from those holding a positive view of the economy. Given the strong sense of optimism about the economy, this suggests a very positive forecast for incentive programs in 2020.

Key findings include:

- The net optimism score for the economy is 41% (compared to 43% in 2019).
- The net optimism score regarding the economy is nearly double that of 2017 (22%).
- The net optimism about the economy for those involved in event gift giving was 42%.
- 85% agree or strongly agree that their companies 'will have a strong financial performance next year.'
- 68% believe the U.S. economic outlook to be strong.
- 90% agreed or strongly agreed that their companies' financial forecasts influence the design and implementation of incentive programs.

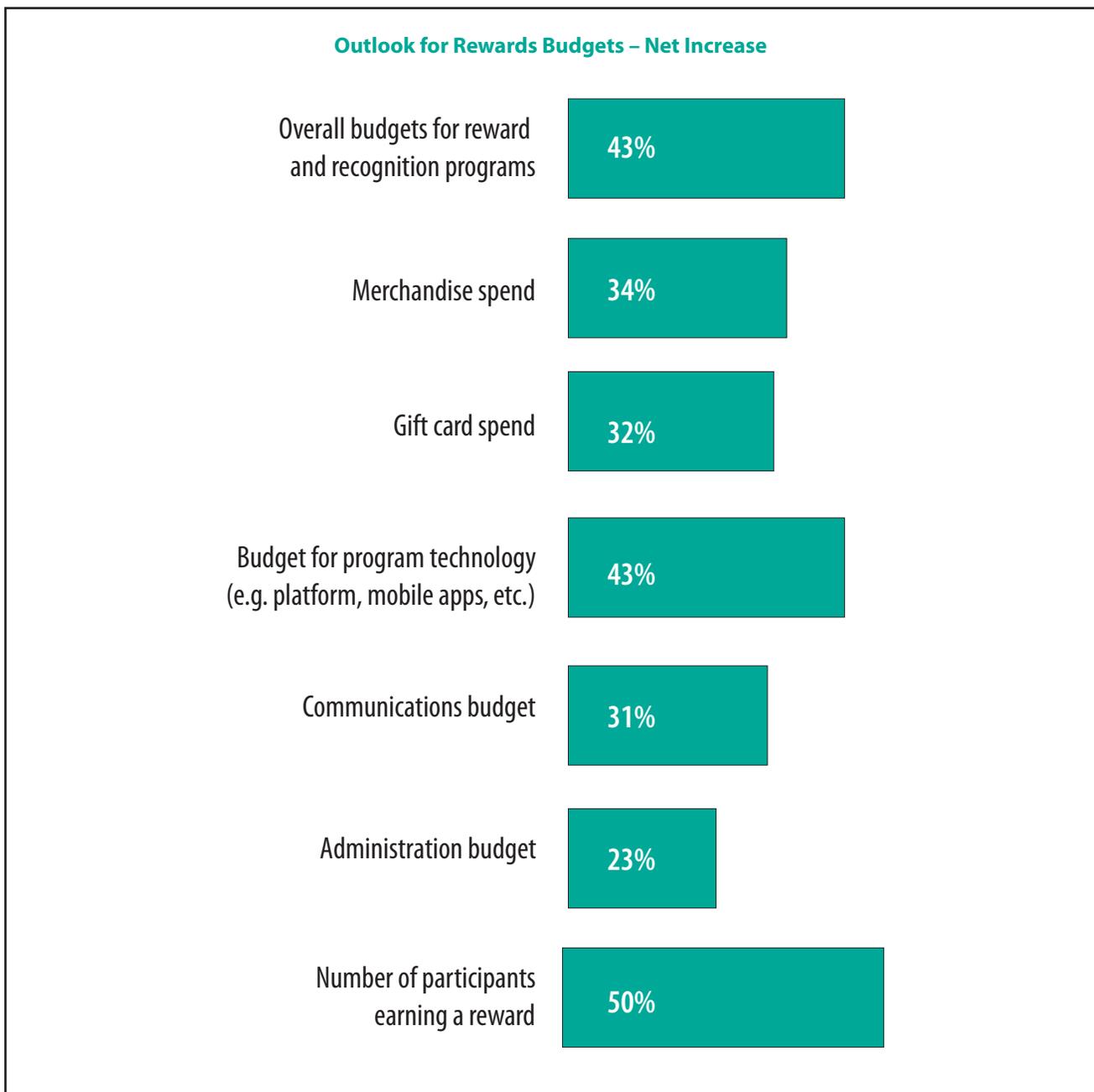


Budgets are Increasing

Consistent with a positive economic environment, the data show net increases in budgets. Compared to last year, there are higher percentages of respondents who expect spend and budget to increase. One explanation for budget increases is that companies continue to grow and there are more qualifiers. Budgets are also growing to accommodate anticipated higher costs.

Significant net increases included:

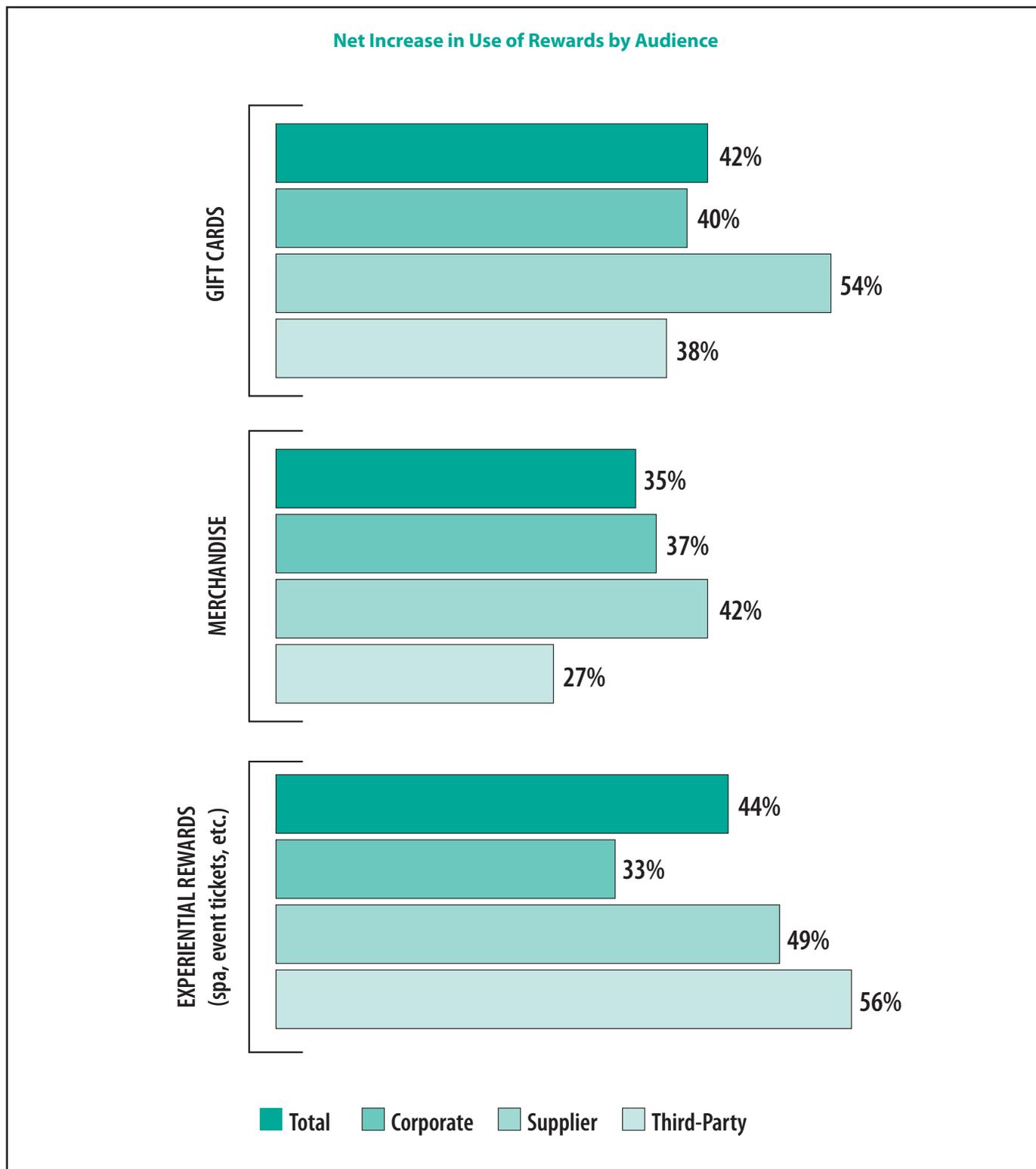
- Number of participants earning a reward (50% in 2020, up from 38% in 2019)
- Overall budget (43% up from 38%)
- Merchandise spend (34% up from 29%)
- Communications budget (31% up from 27%)
- Administration budget (23% up from 17%)



Reward Use is Expected to Increase

There is an expectation that gift cards, merchandise and experiential rewards will increase at an even greater rate than the prior year.

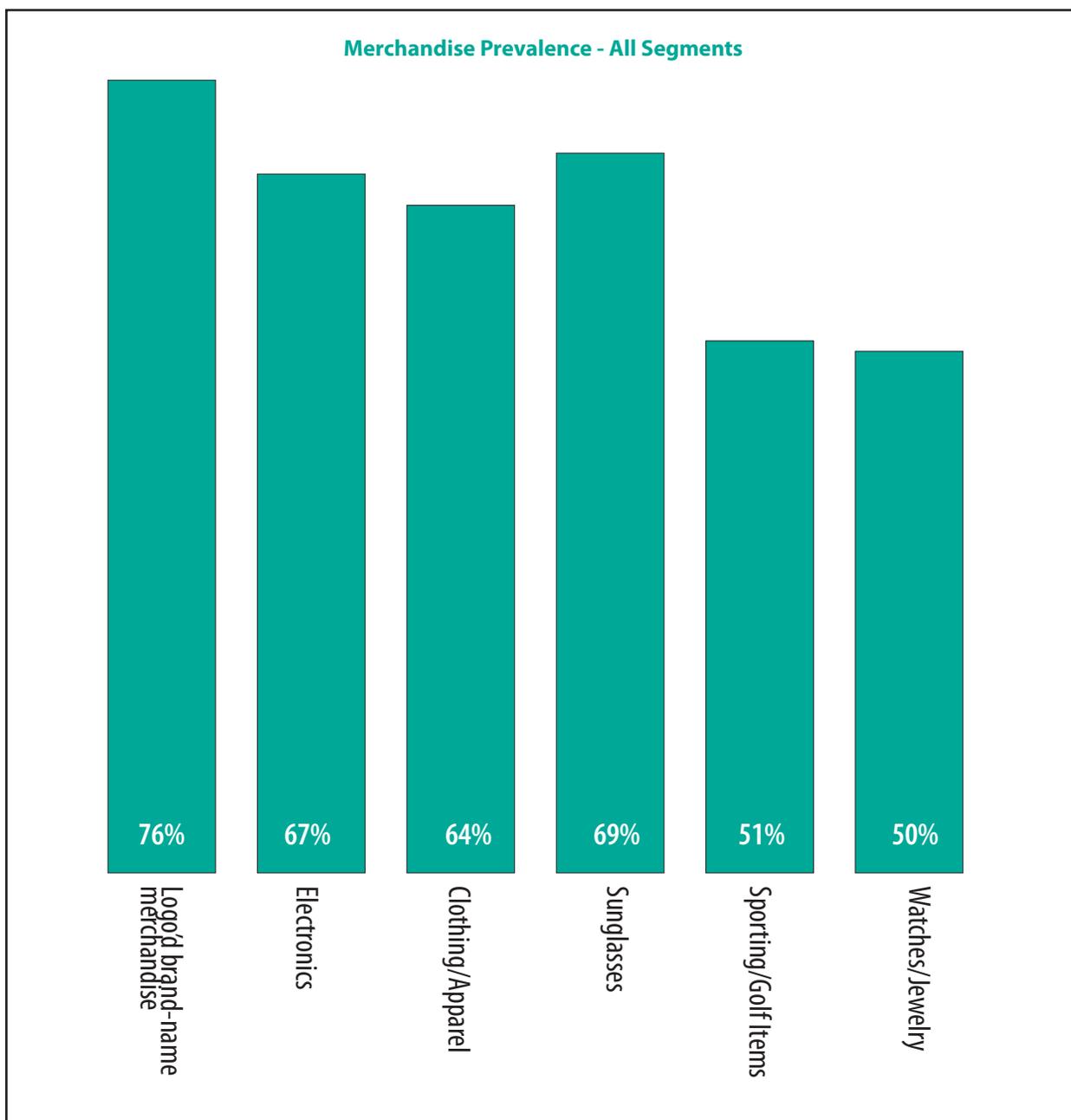
- Net increase for gift cards is 42% (compared to 38% in 2019 Outlook)
- Net increase for merchandise is 35% (compared to 28%)
- Net increase for experiential rewards has grown to 44% (compared to 28%)



Top Merchandise: Logoed Brand Name Merchandise, Electronics and Sunglasses

The average value of merchandise rewards is \$160, which was consistent with the 2019 Outlook.

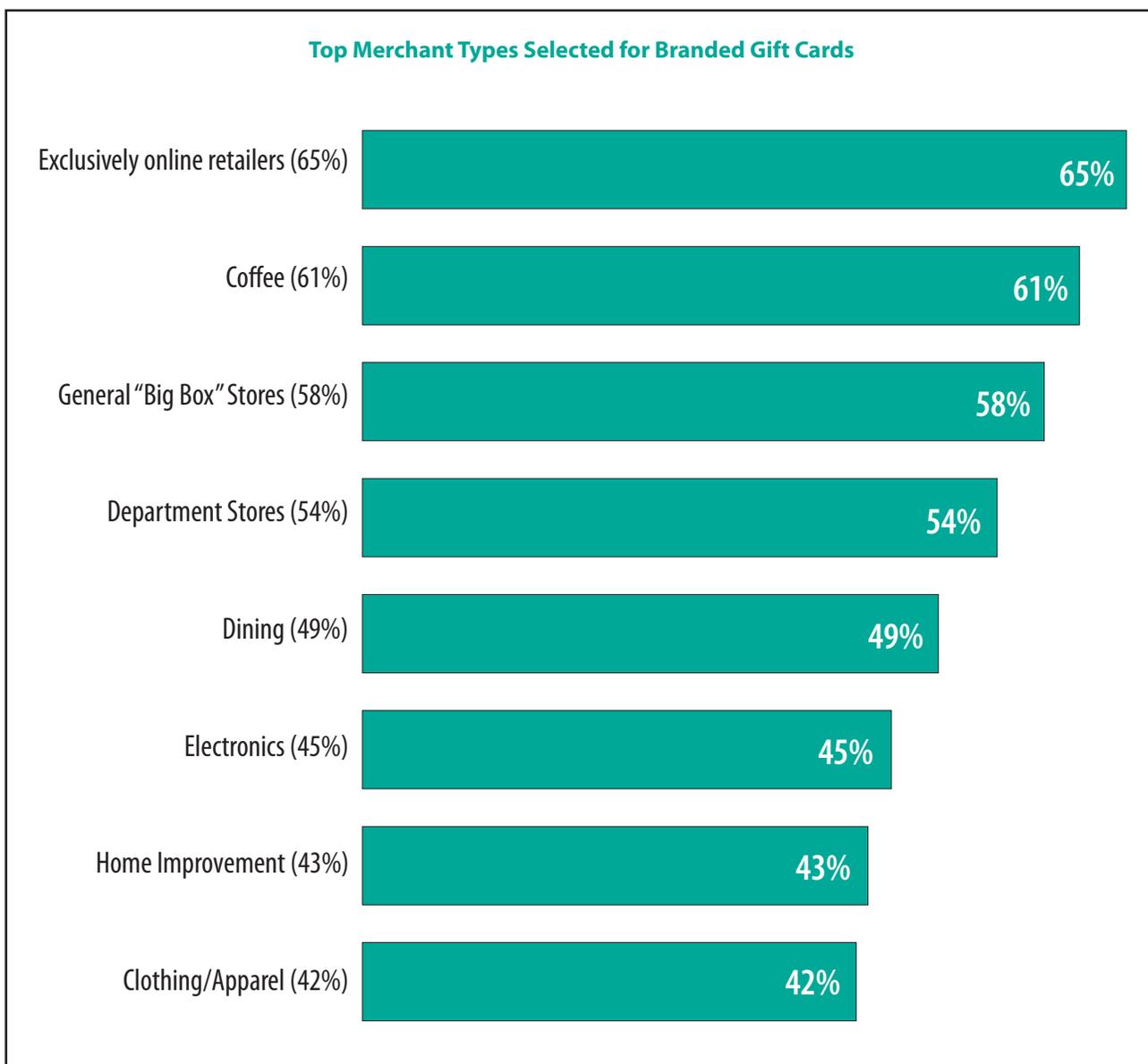
- Logoed brand-name merchandise and electronics remain the most common rewards with corporate respondents.
- Electronics and sunglasses remain the most popular among third-party providers.
- The biggest decline was in food gifts, which declined overall from 52% to 38%. The decline was consistent across both corporate clients and third-party providers.



Gift Cards for Online Retailers Are Now the Most Popular

Gift cards continue to be widely used, with median gift card amount remaining at \$100.

- Retailers that are exclusively online (e.g., Amazon) are now the most popular type of gift card (65%).
- Other top gift card options are coffee (61%) and 'Big Box' retailers (58%).
- 69% of corporate respondents reported that gift cards for employee rewards are still purchased from local retailers.
- Vouchers are gaining in popularity, with 32% of respondents using them, compared to 24% in 2019.

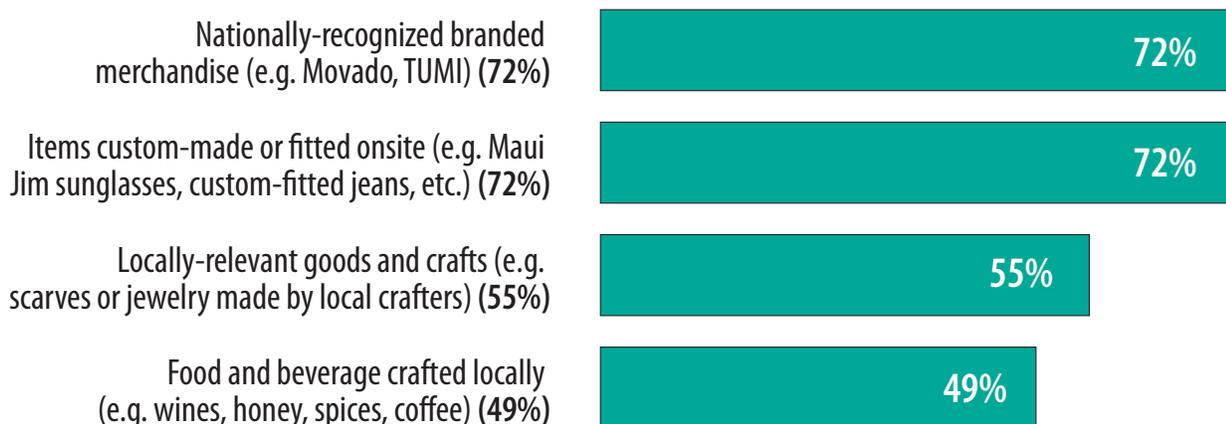


Event Gifting: Personalization and Engagement

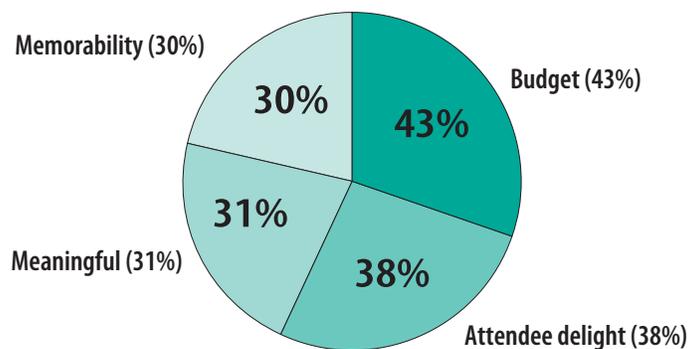
Event gifting is becoming more focused on appealing to personal preferences rather than offering a ‘one size fits all’ gift. The marketplace experience has grown in popularity quite a bit since last year, going up from 43% to 58% as an experiential and engaging way to deliver event gifts.

- Almost half of corporate audiences have incorporated a gifting “marketplace” experience into their events, while 70% of third parties offer this experience.
- Custom-made items or items fitted on-site were used by 72% of respondents (compared to 59% in 2019).
- Overall, custom made or fitted items, now match nationally branded merchandise as the most prevalent type of event gift.
- While budget is still the top consideration overall, its importance has declined. Last year, budget was a top two priority for 50%, this year it declined to 43%.

Event Gifting – Gift Types



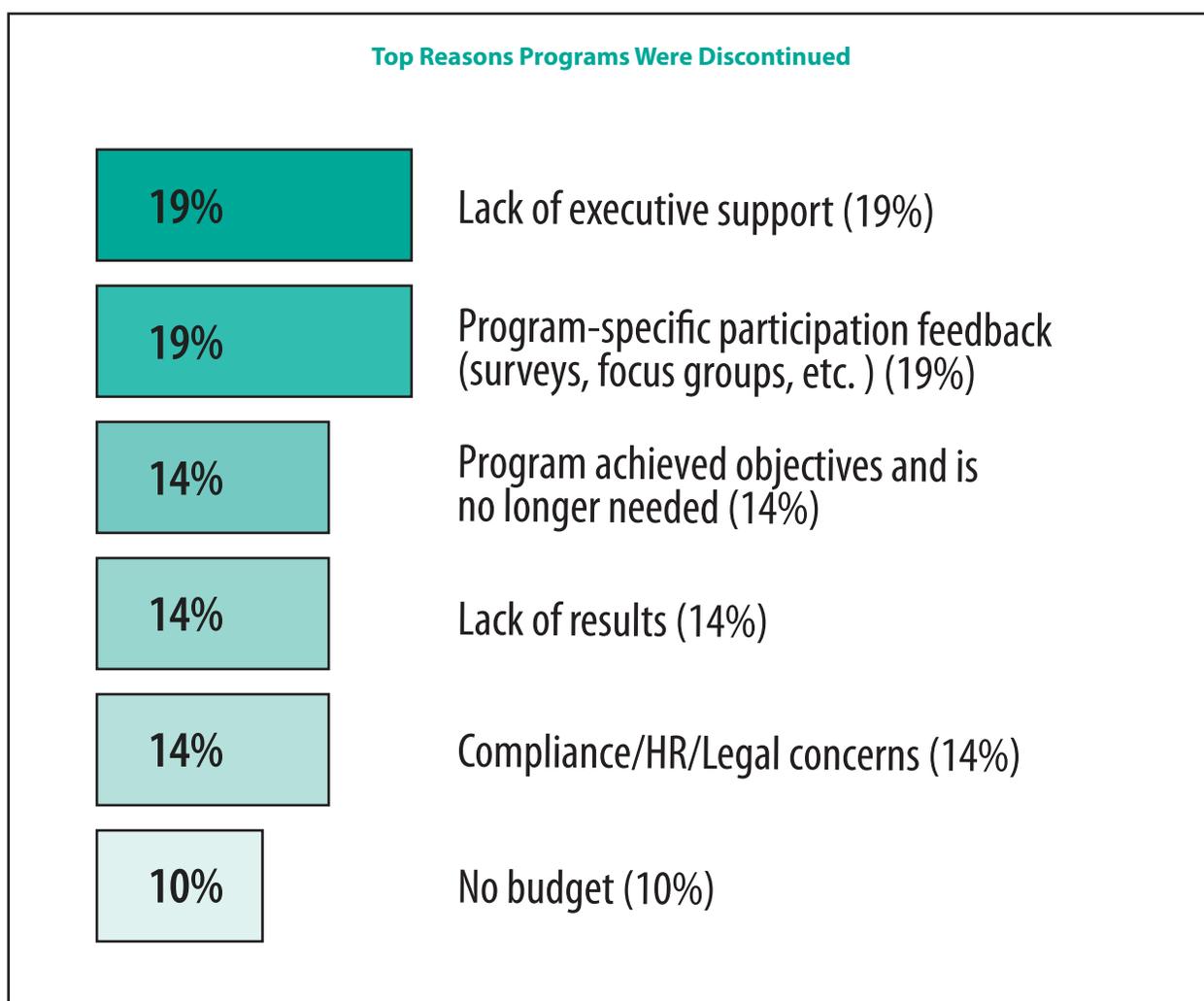
Top Priorities When Selecting Gifts



Increase in Program Cancellations

Despite the positive economic outlook, there was a slight uptick in the number of programs cancelled this past year compared to the prior year. More than a quarter of respondents (28%) reported that they, or their clients, discontinued a program within the past year, up from 18% the previous year.

The data suggest the program discontinuations are less likely to be because of budget losses and lack of executive support than in the past. While fewer respondents than last year indicated that loss of executive support was the driver for program cancellations, this loss of executive support still continues to be a top driver. This year, the impact of participant feedback on program cancellations increased to the same rate as executive support. The importance of the attendee experience reflects a stronger focus on the role of incentives as a builder of corporate culture and engagement, as was also reported in the *2019 Incentive Travel Industry Index*.



Reporting and Analysis are Growing

Incentive and reward programs are frequently maintained simply because they have long been part of the corporate culture in their current form. There has often been little reporting and analysis to validate the efficacy of these programs. Reporting and analysis, however, has dramatically increased since last year, particularly for corporate users:

- Only 27% of corporate program owners stated that they **do not** use reporting or analysis – compared to 53% in 2019.
- The percentage that look at participation reports is up to 40% for 2020, compared to 27% in 2019.
- Corporate users conducting the analysis on program increased to 44%, compared to 25% in 2019.

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

