Industry Outlook for 2019
Merchandise, Gift Card, and Event Gifting

November 2018

Survey Overview

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 August 2018 through October 2018.

Industry professionals invited to participate in survey by:

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

498 participated

53% **Corporate (e.g., Buyer, Planner, Sales, HR)**

10% **Supplier (e.g. Hotel, Airline, DMC, Merch)**

37% **Third Party (e.g., Incentive Company, Travel Agency, Consultant)**

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award
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Methodology Considerations

Audience

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

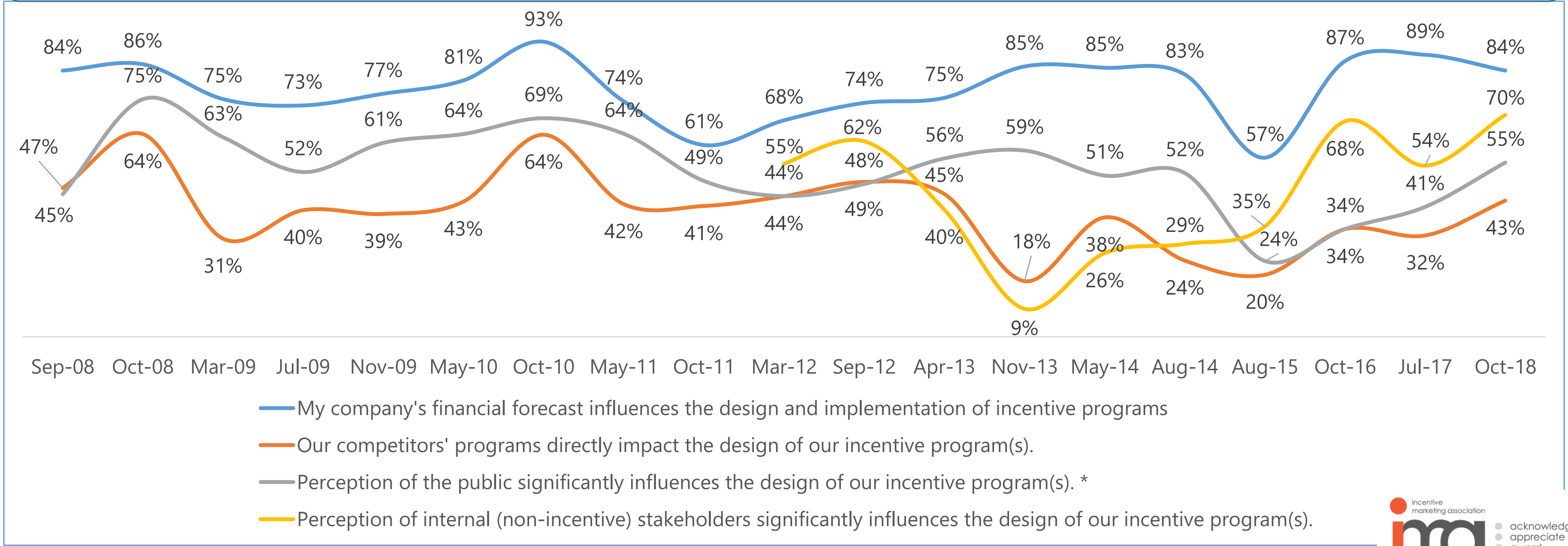
Weighting

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.

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.



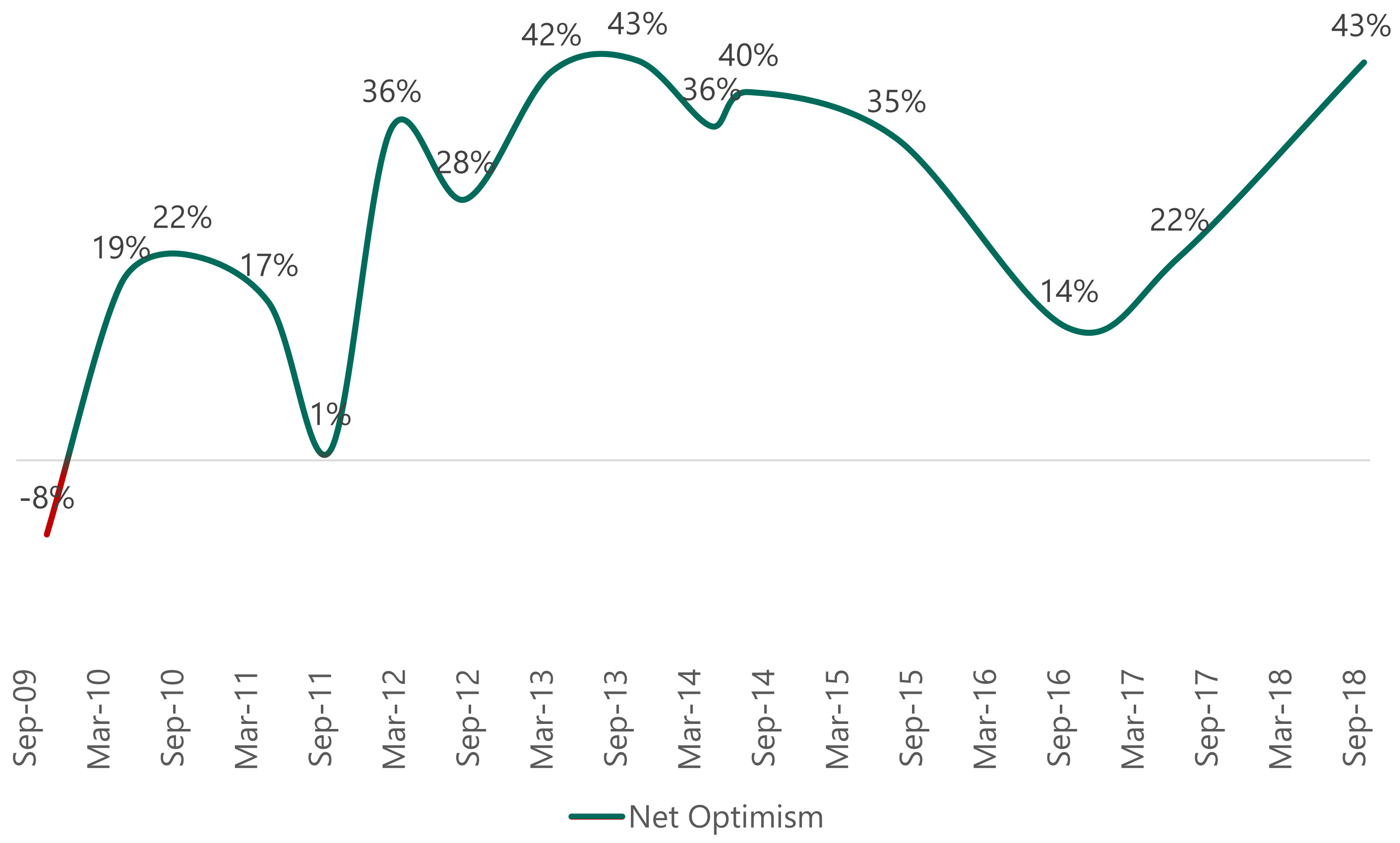
Please indicate the level of your agreement or disagreement with the following statements as they relate to your most recent incentive program.
Base: Corporate respondents

Net Optimism – Impact of Economy on Programs

43% **Fall 2018 Optimism Index**

21% **Percentage Points from Summer 2017**

Incentive merchandise and gift card programs are expected to continue enjoying positive benefits from the economy, as the degree of optimism increased considerably over the past year.

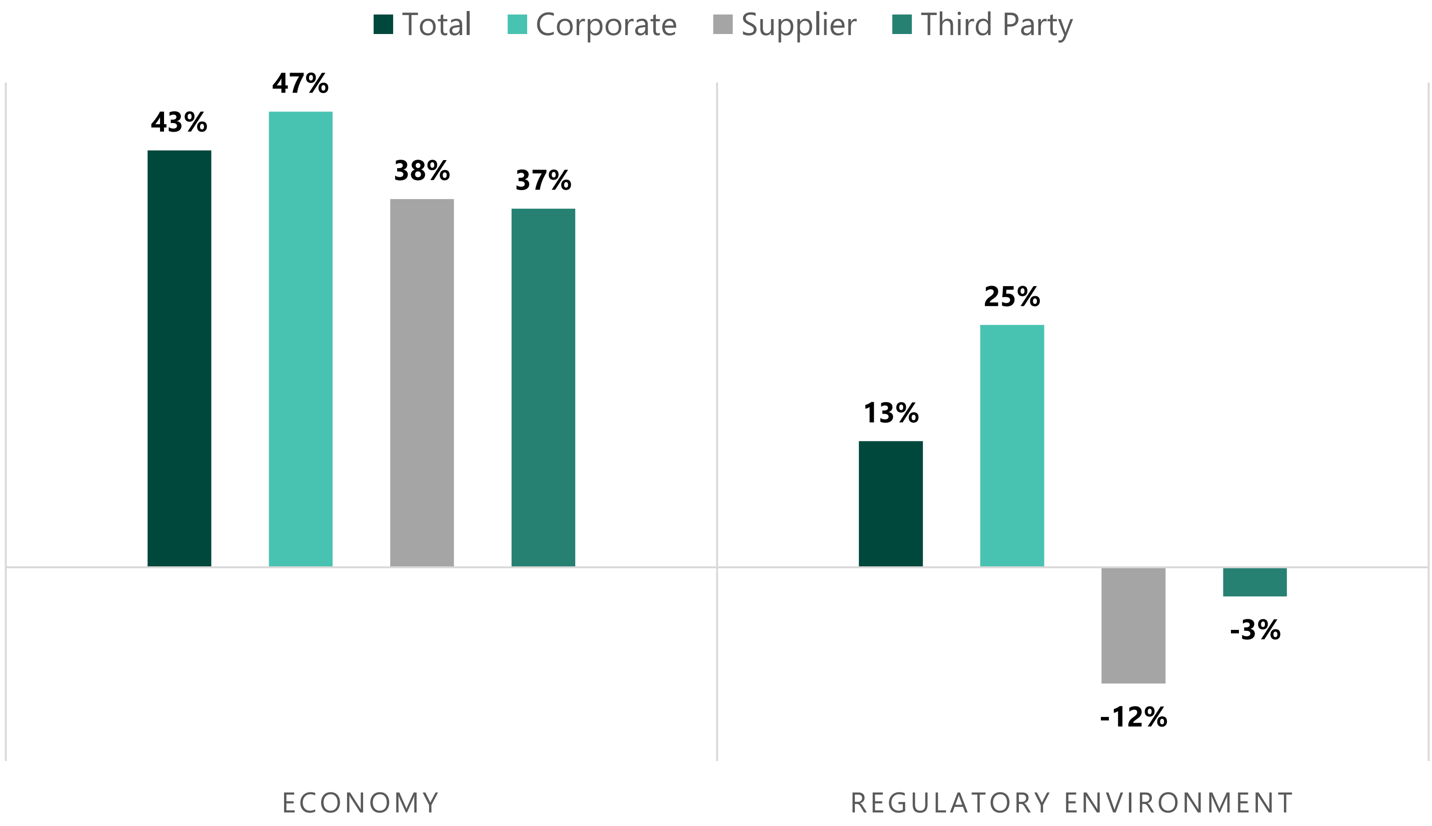


In the coming year, what impact will the factors below have on your/your clients' non-cash reward and recognition program planning and execution: The economy

Net Optimism by Audience

Corporate optimism regarding the impact of the economy on incentives programs overtakes that of suppliers and third-party providers in 2018, but there is a consistent positive outlook among all industry audiences.

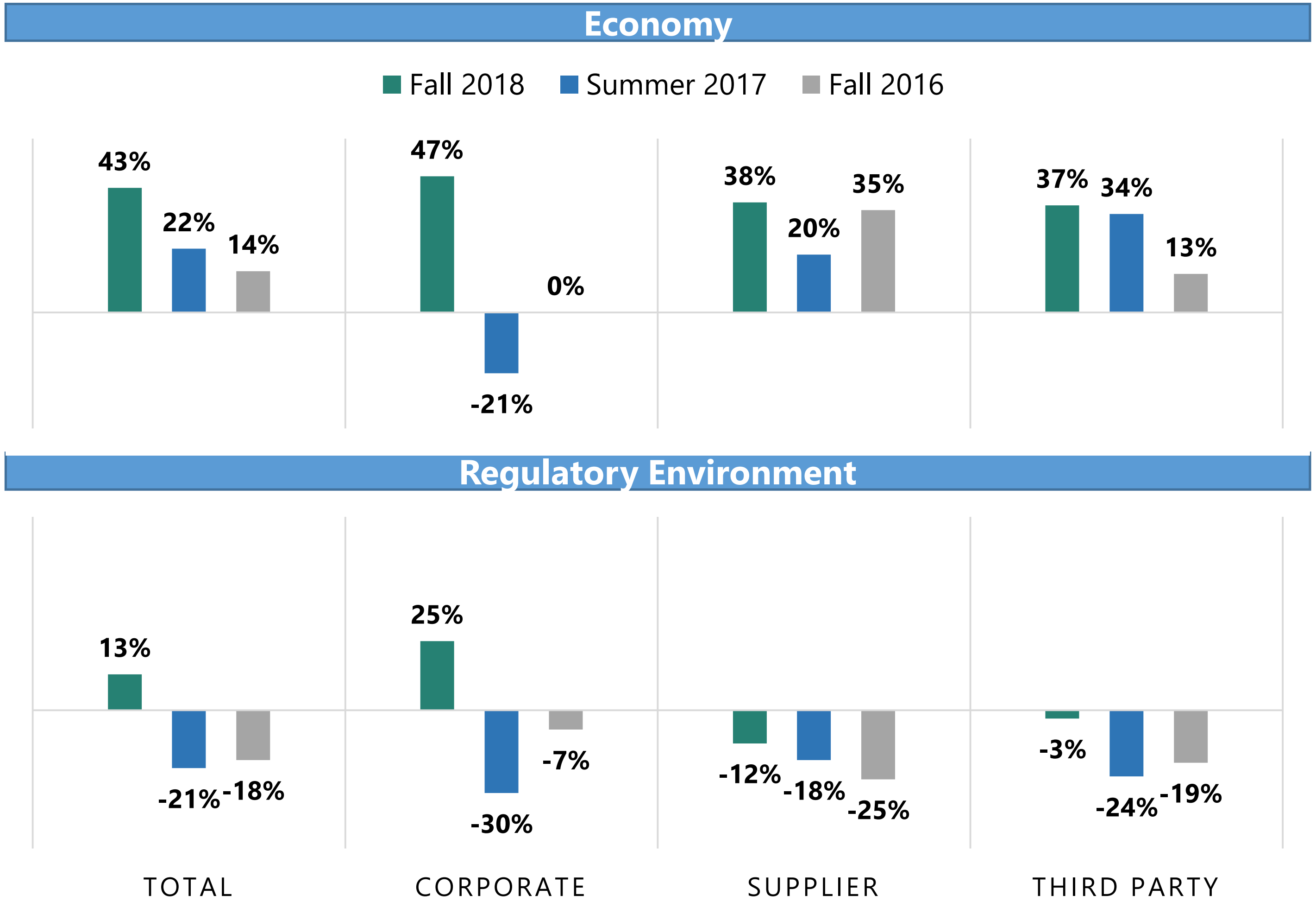
Suppliers and third-party providers anticipate that the regulatory environment will have a negative impact on the incentives industry, while corporate respondents are more optimistic.



In the coming year, what impact will the factors below have on your/your clients' non-cash reward and recognition program planning and execution?

Net Optimism Compared to Prior Year by Audience

The incentive merchandise/gift card industry is notably concerned about the regulatory environment. All segments expect negative impacts to their incentive merchandise programs. All segments have a more optimistic outlook regarding the economy and the regulatory environment compared to last year.



In the coming year, what impact will the factors below have on your/your clients' incentive merchandise and gift card programs?

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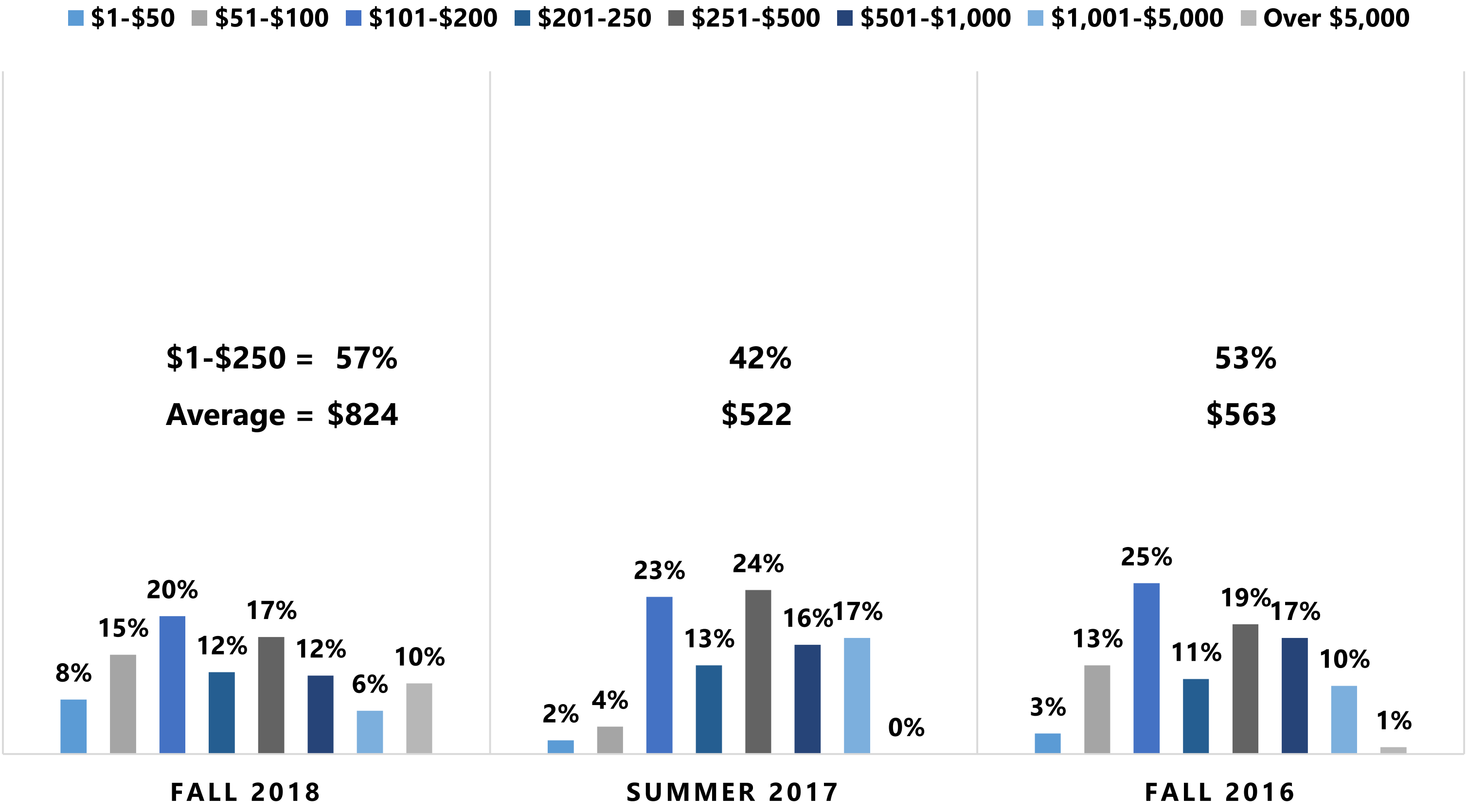
Average Per-Person Spend – Non-cash Reward & Recognition Programs

The average per-person spend for Fall 2018 is $824, a considerable increase from prior years. This is largely explained by the increase in respondents spending over $5,000.

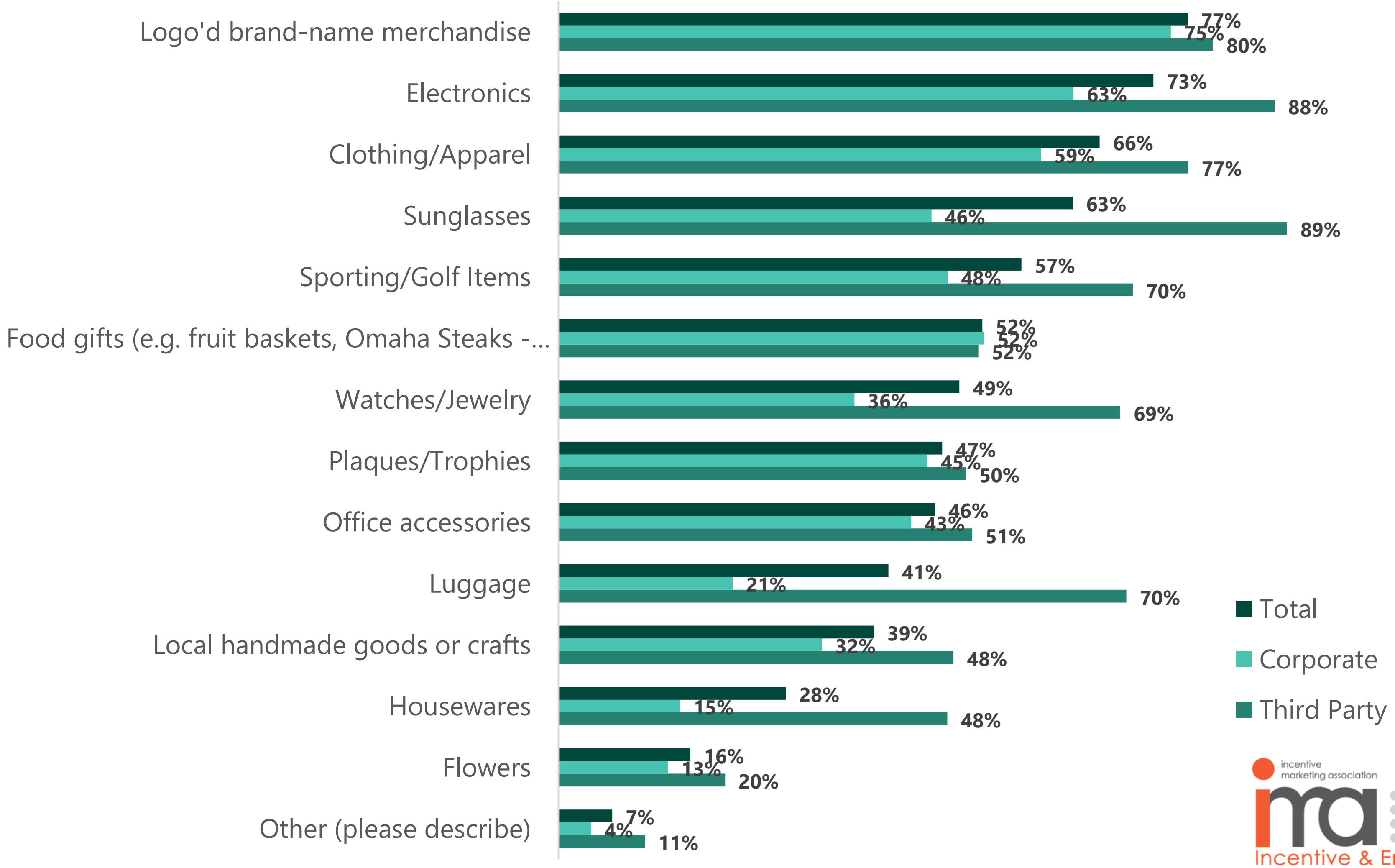
A large proportion of respondents are spending $250 or less – nearly 60% in 2018.



What is the average per-person rewards spend for your/your clients' non-cash reward and recognition programs?

Merchandise Prevalence by Audience

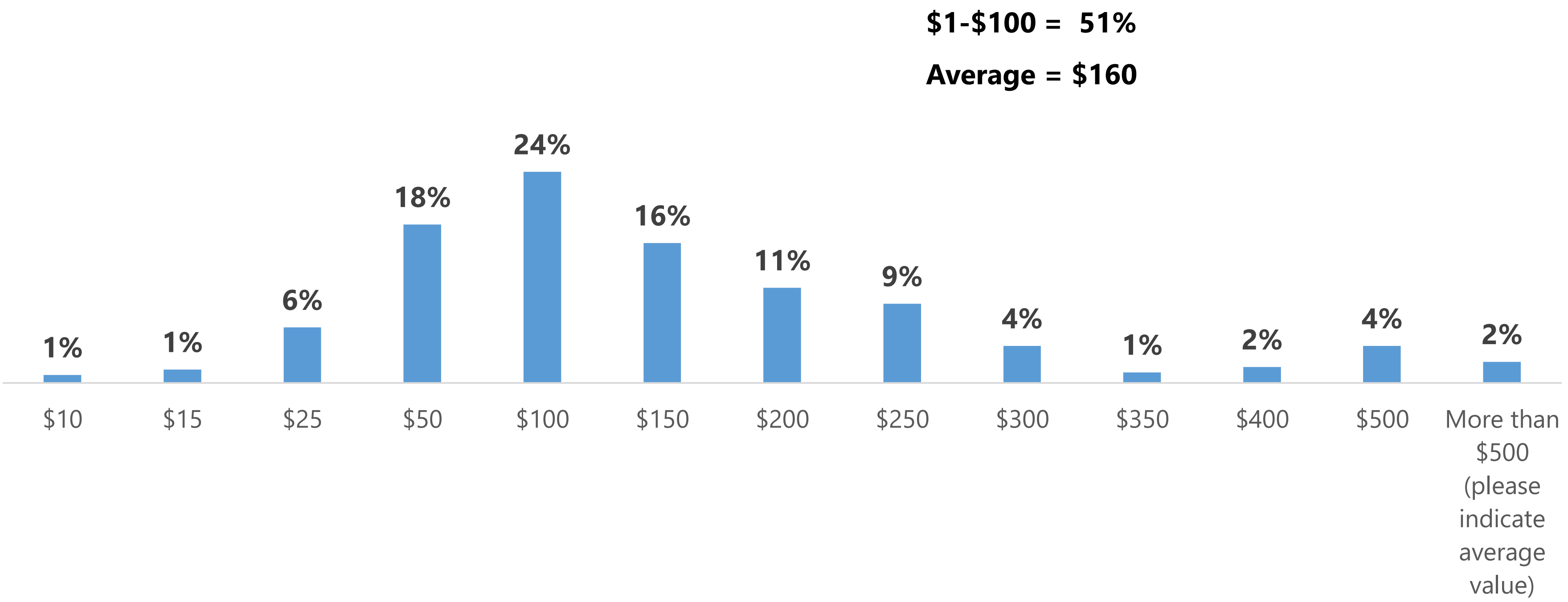
Logo'd brand-name merchandise and electronics are the most common rewards with corporate respondents, while sunglasses and electronics are the most popular among third-party providers.



What types of merchandise and gift cards are used within your/your clients' reward and recognition program(s)? Check all that apply.

Average Value of Merchandise Reward

The most common dollar value of a merchandise reward is $100 – half of respondents indicate the typical reward is $100 or less. Due to some respondents who spend more, the average is somewhat higher - $160.

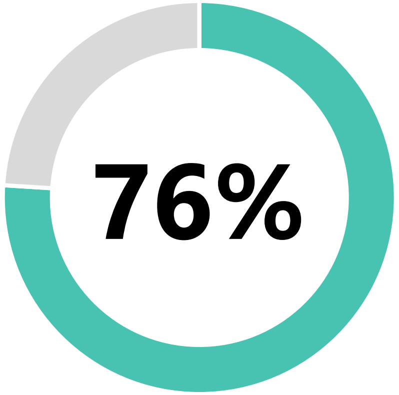


What is the dollar value of the typical merchandise reward used in your/your clients' programs?

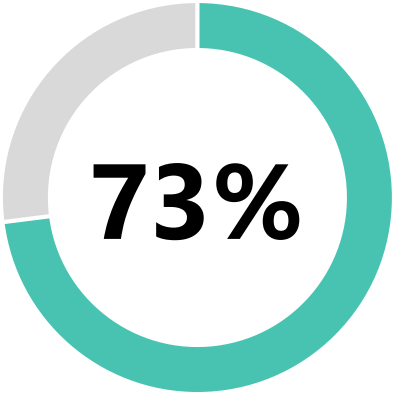
Usage by Gift Card Type

Consistent with other industry studies, this year's Outlook survey finds high utilization of both open and brand-specific cards, while restricted-use cards and gift card vouchers continue to gain wider acceptance.

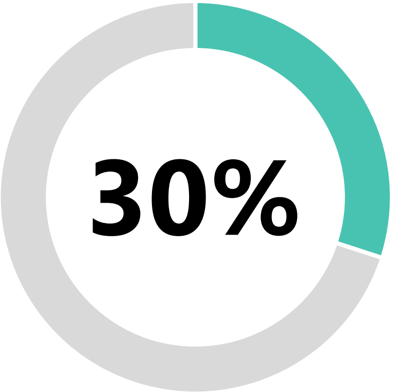
OPEN LOOP



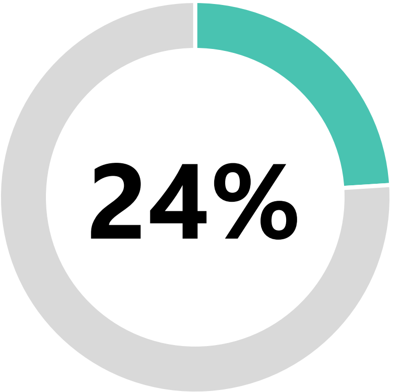
BRAND-SPECIFIC



RESTRICTED USE



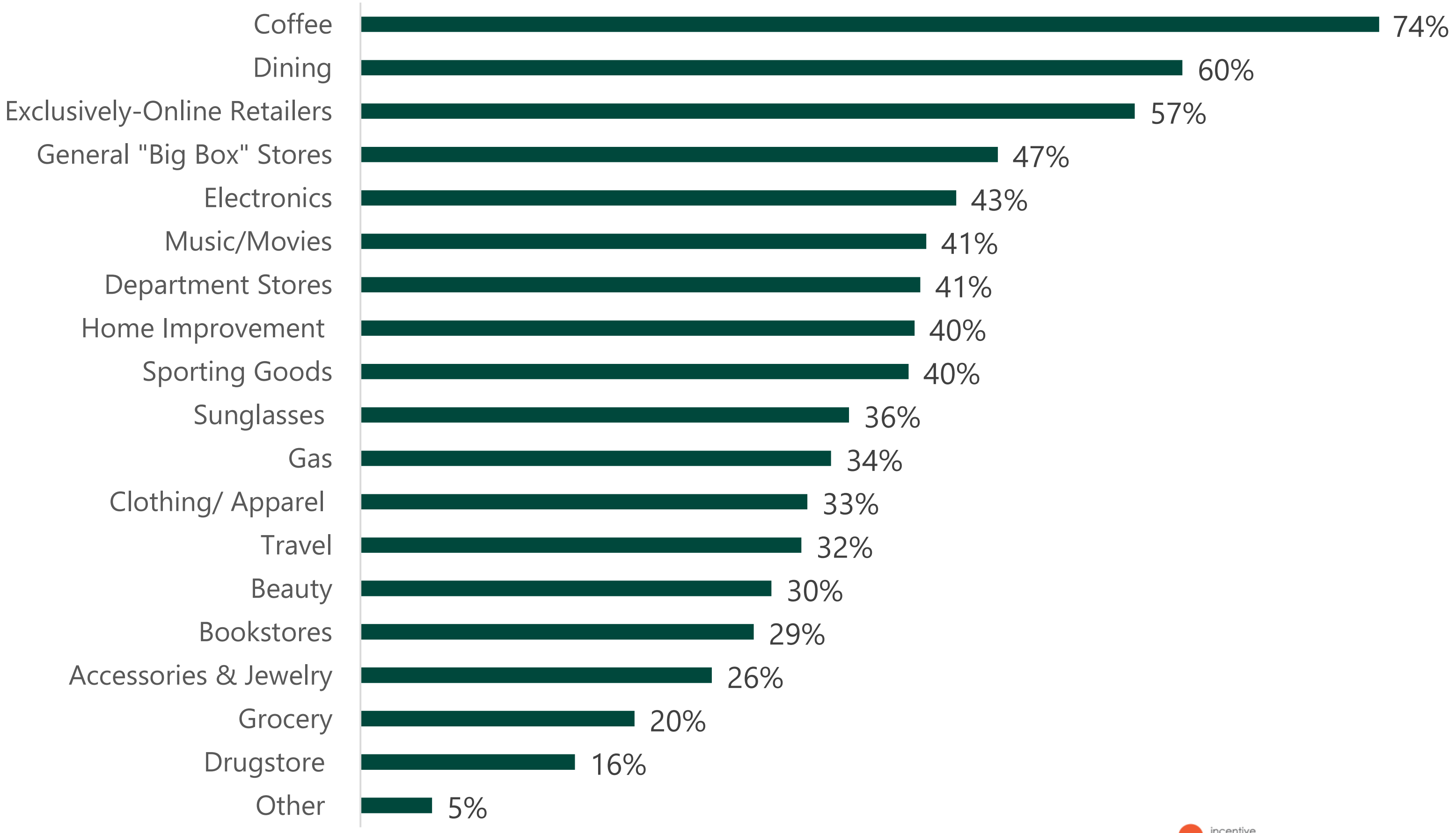
VOUCHER



See notes for detailed descriptions used in survey.

Brand-Specific Merchant Types

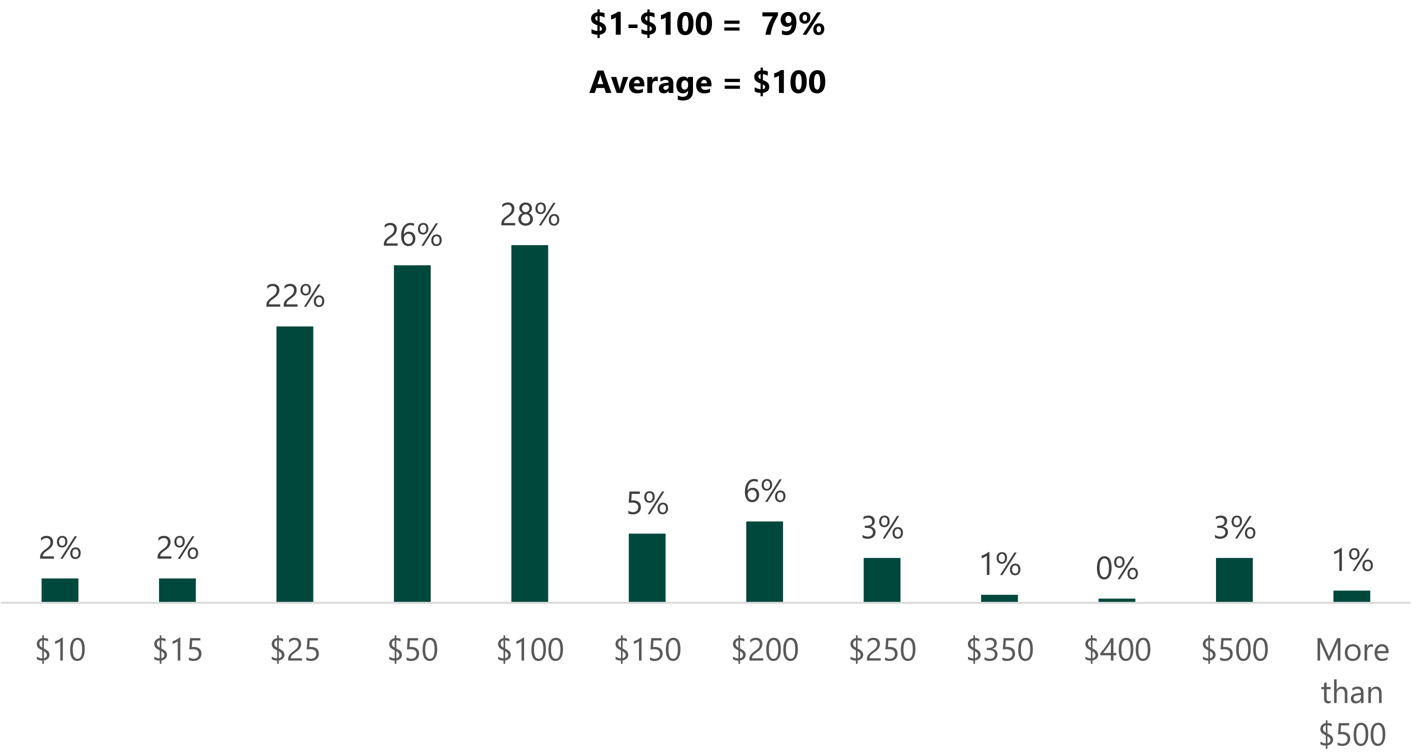
Gift cards for use at coffee houses dominate the branded card landscape, followed by dining and online retailer gift cards.



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 are $25, $50, and $100 – three quarters of respondents are using one of those values most commonly. Due to the impact of some respondents who utilize high-value denominations, the average gift card value is $100.

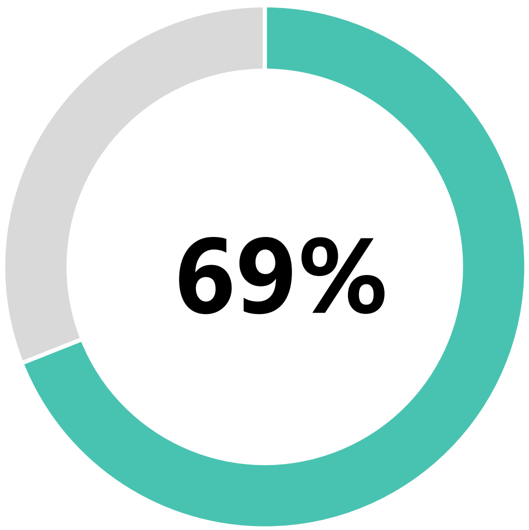


What is the average gift card denomination/value used in your/your client programs?

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. More than two-thirds indicate this is occurring in their organization.

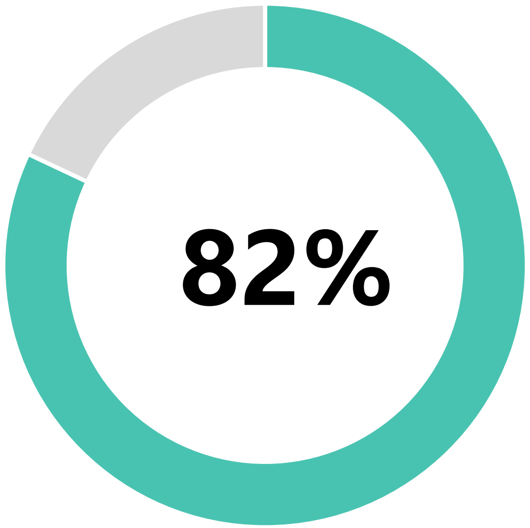
Purchasing at Retail



Does anyone in your organization ever purchase directly from local retailers (such as Target, Walmart, Walgreens, CVS, or a supermarket) gift cards for the purpose of giving to employees as non-cash rewards?

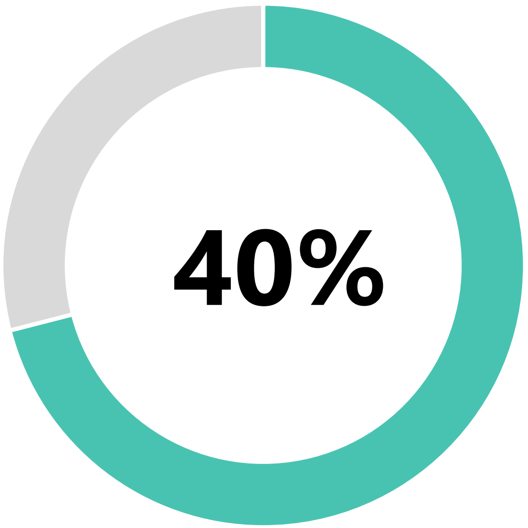
Non-cash Program Design

Goal-based Rewards



A majority of corporate respondents use goals or objectives to determine non-cash reward earnings.

Reward Points



Forty percent of corporate respondents are using points systems as the mechanism for issuing rewards.

Do you typically use achievement of specific goals/objectives to determine reward payouts?
Do you typically use rewards points as the means of issuing, tracking, and redeeming for rewards?

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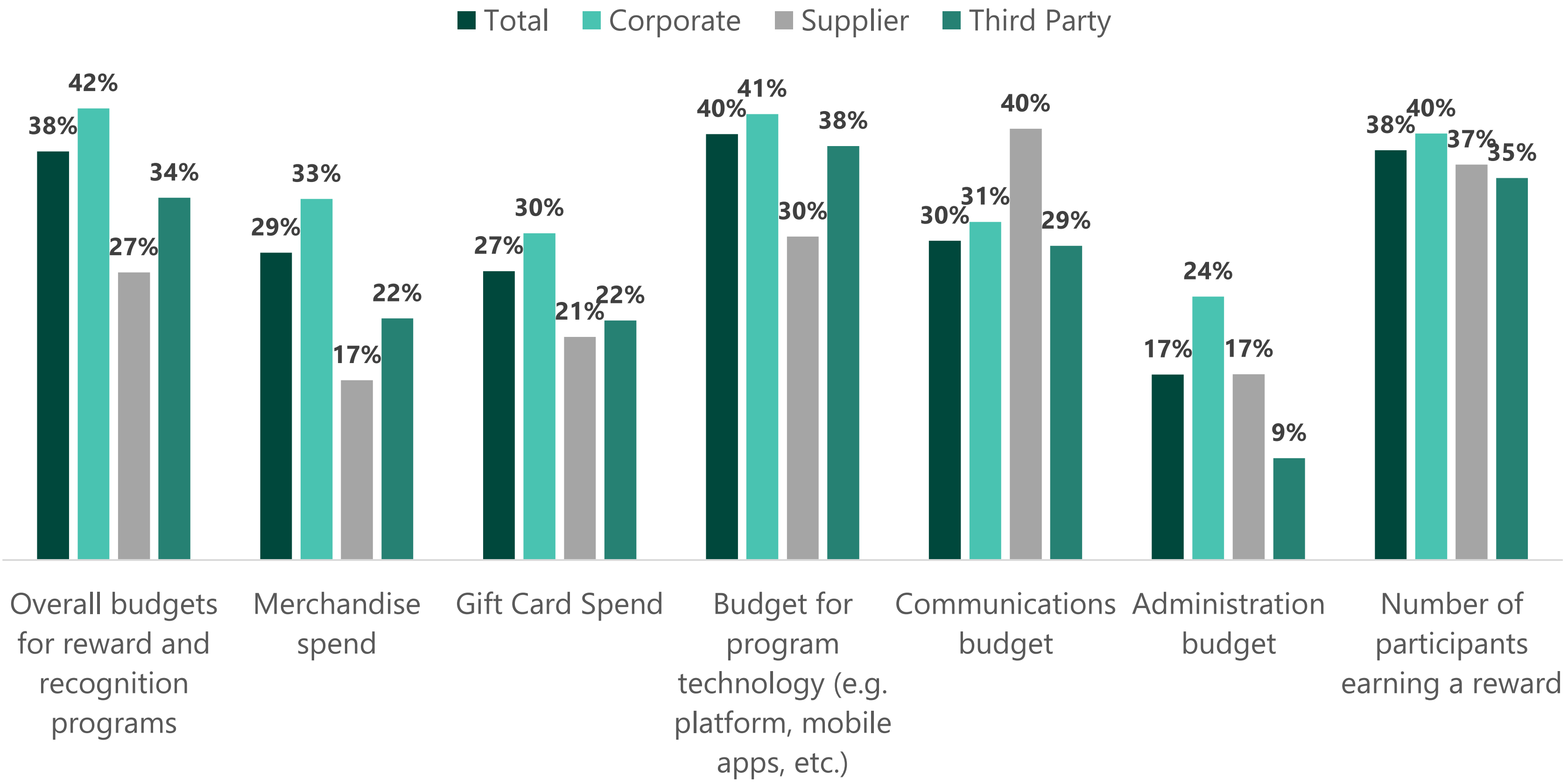
Outlook for Rewards Budgets – Net Increase

There is agreement and strong optimism regarding the fate of non-cash reward and recognition budgets in 2019. Net increases are expected by all segments across all spending categories, with corporate respondents some of the most positive.

There is also a shared expectation that the number of participants earning rewards will increase.



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?

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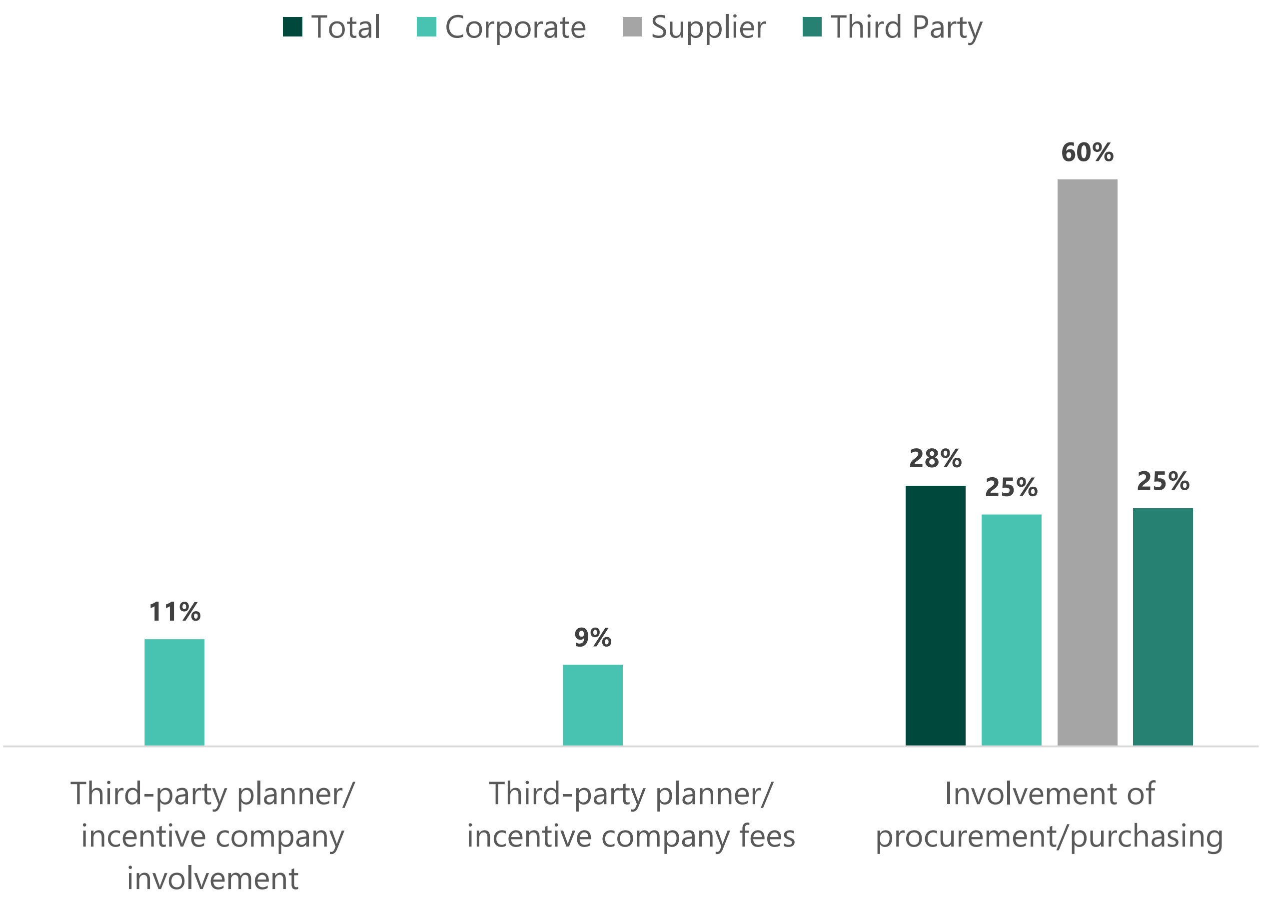
Outlook for Rewards Partners – Net Increase

There is an expectation across all audiences, especially so for suppliers, that the involvement of procurement or purchasing will increase in 2019.

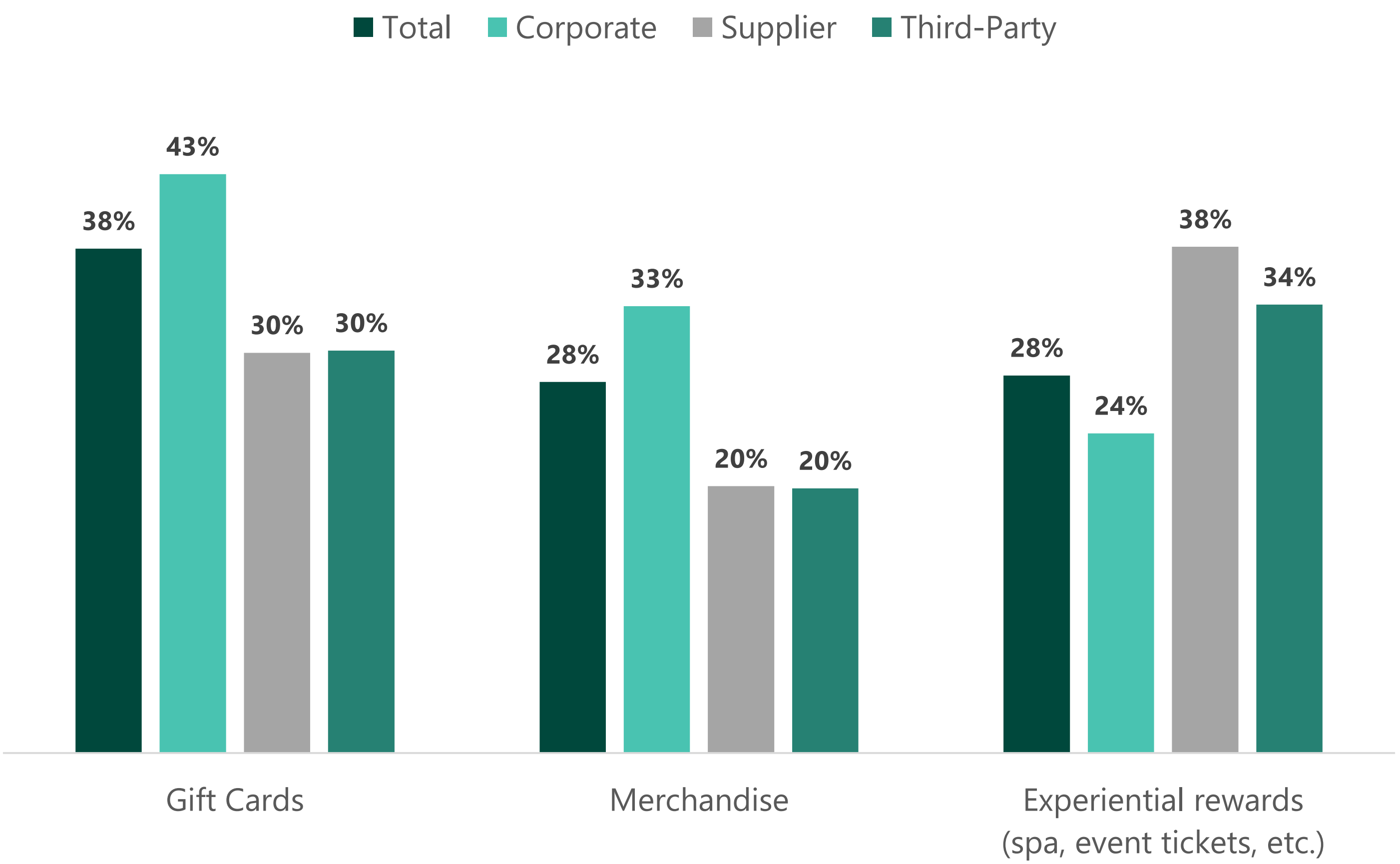
Corporate stakeholders have a more moderate expectation regarding increased involvement and fees from third party providers.



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?

Net Increase in Use of Rewards by Audience

Expectations for increased use of non-cash rewards are strong across all reward types. Corporate audiences have the highest expectations for increased use of gift cards, while suppliers and third-party providers also expect experiential reward use to increase considerably.



In the coming year, do you generally anticipate your/your clients' use of the following reward types will increase, decrease, or remain unchanged?

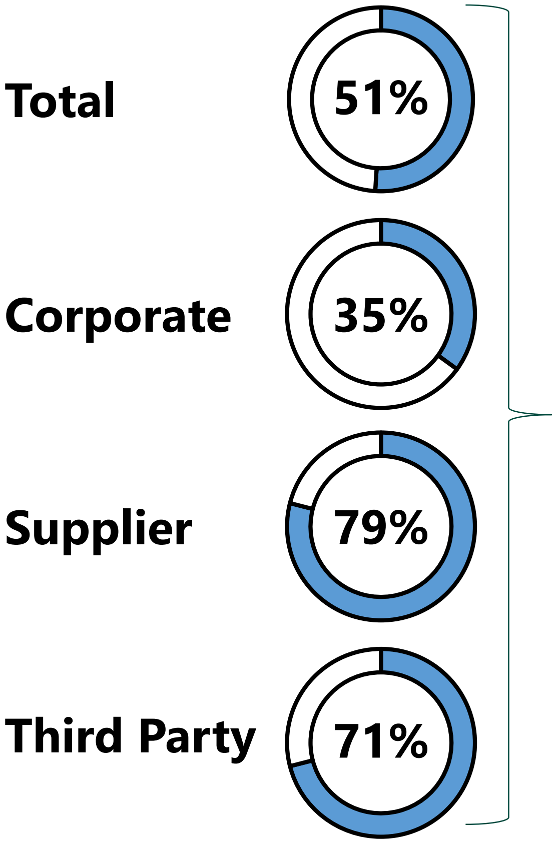
MERCH

Programs Include Non-U.S. Participants

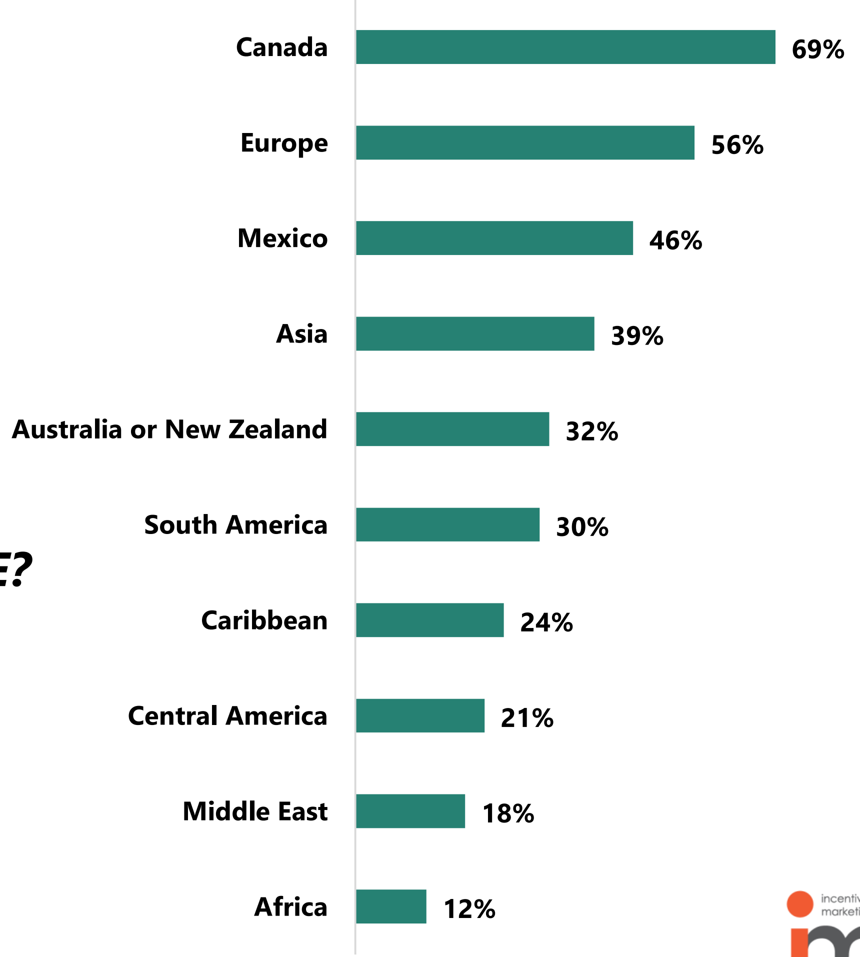
One half of the incentives industry includes international participants in the non-cash rewards programs they operate. On the corporate side, a little more than one third have an international audience.

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

All regions are at least somewhat represented 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.

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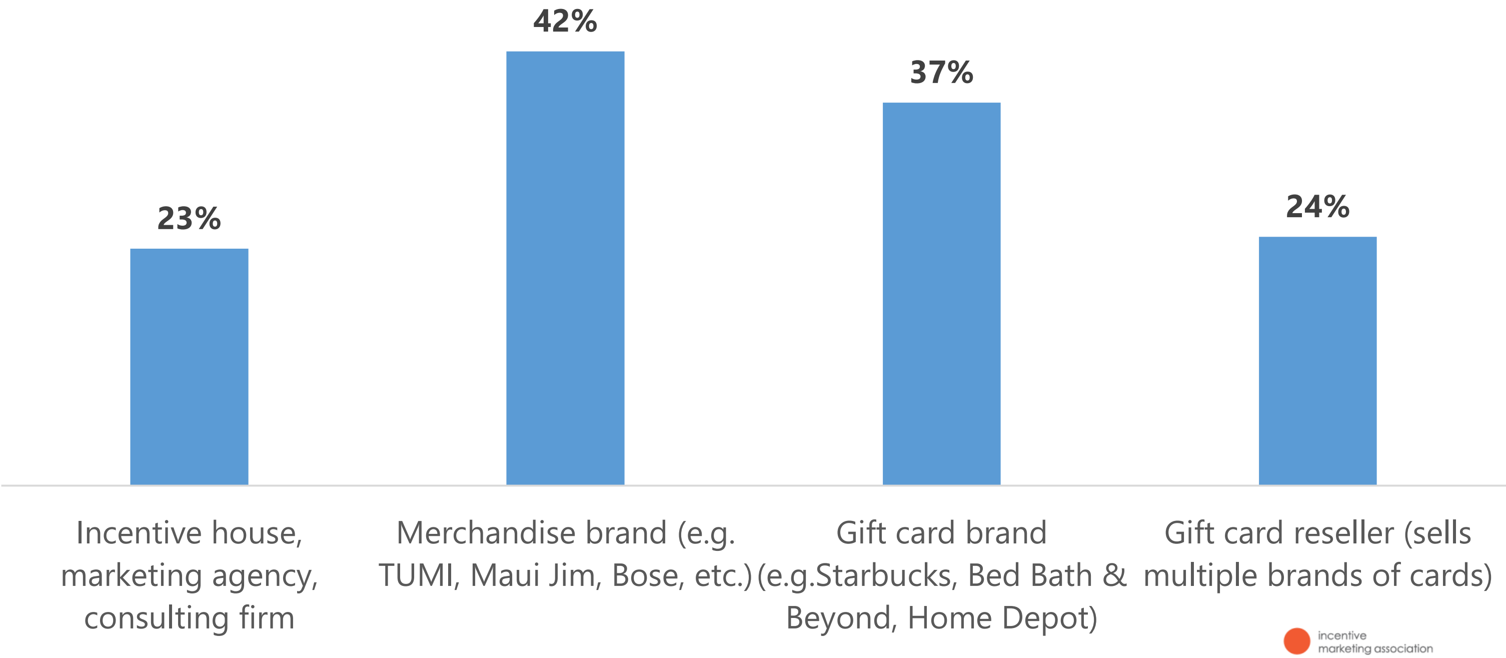
Use of Partners (Direct Working Relationship)

Corporate buyers are often working directly with brands for either merchandise or gift cards. Incentive houses and gift card resellers each represent about a quarter of corporate buyers.



For your non-cash reward and recognition programs, do you work directly with…
Base: Corporate buyers

General Program Outlook

Program Enhancements

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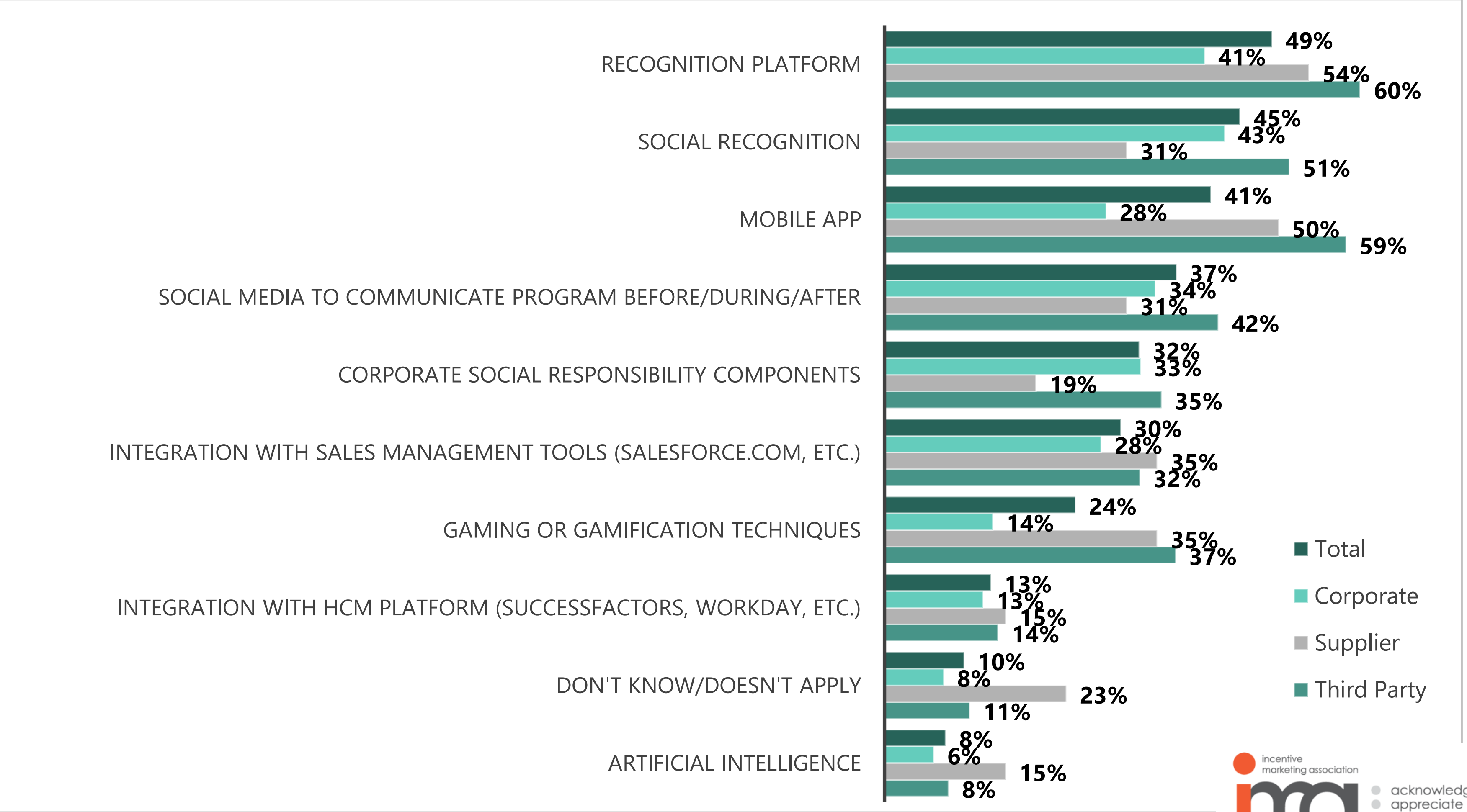
About 4 in 10 corporate buyers are using a recognition platform as part of their non-cash program, and a little more than a quarter are using a mobile app to support that program. Suppliers and third parties, working across a broad client base, are more likely to see programs that are using these enhancements.



Are you/your clients using any of the following as part of your non-cash reward and recognition programs(s)? Check all that apply.

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appreciate
award
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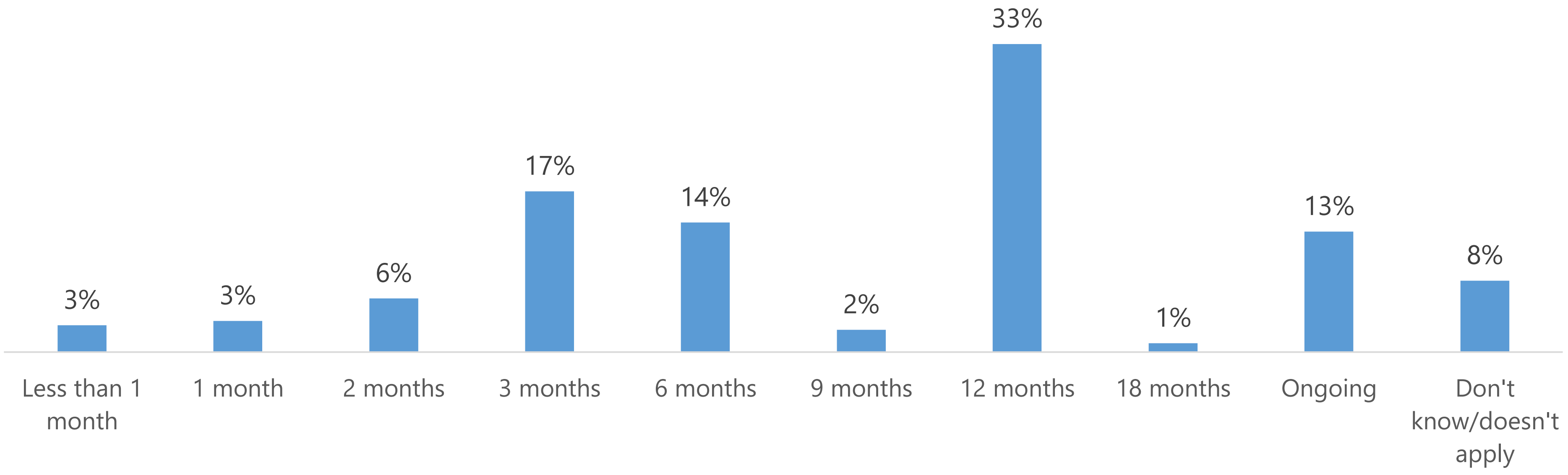
Typical Length of Program

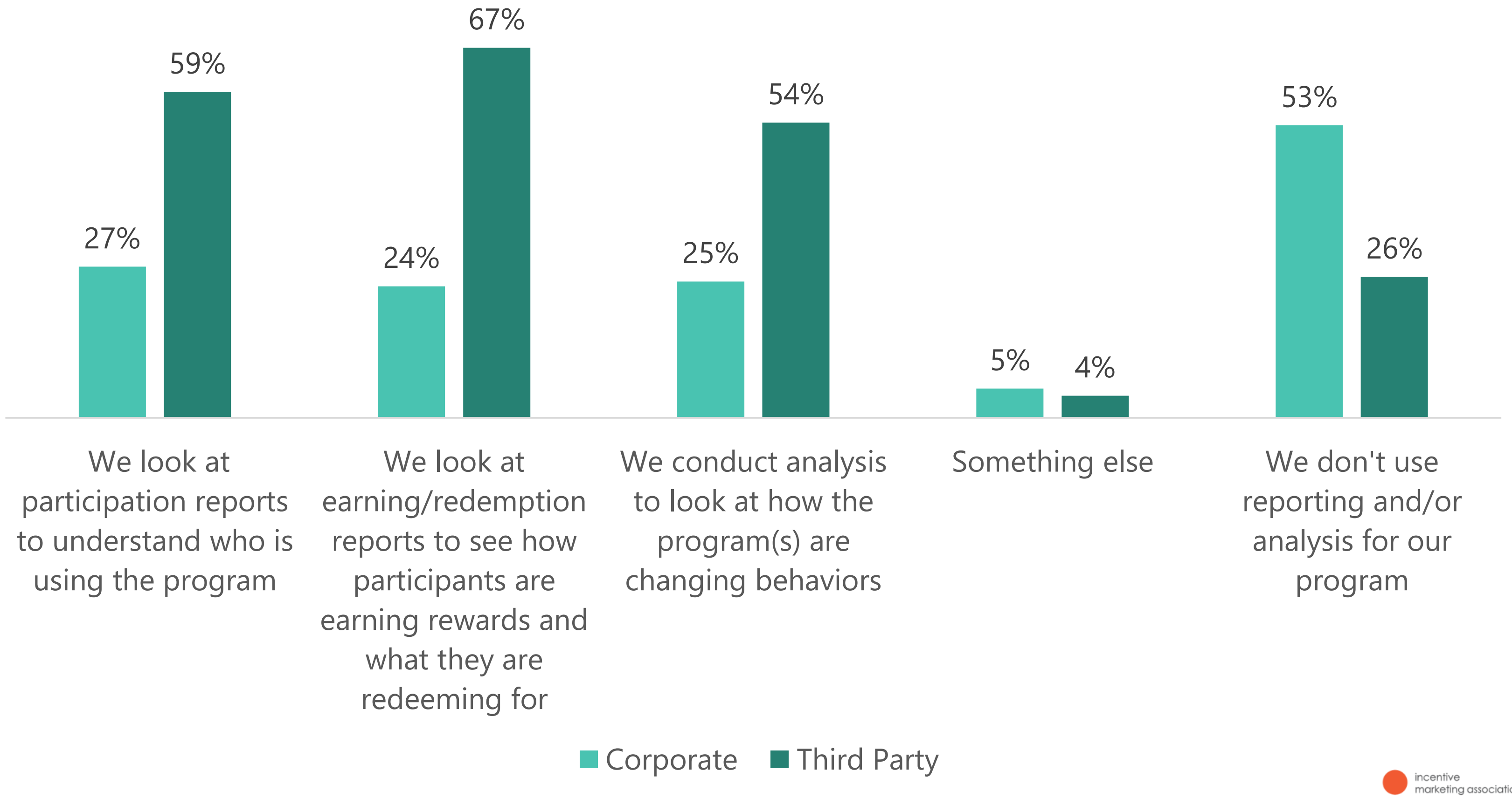
The most common length of an incentive travel or merchandise program is 12 months. Other prevalent lengths are 3- and 6-months, as well as perpetual programs.



What is the typical program length for your/your clients' non-cash reward and recognition program(s)?

Reporting & Analysis - Types

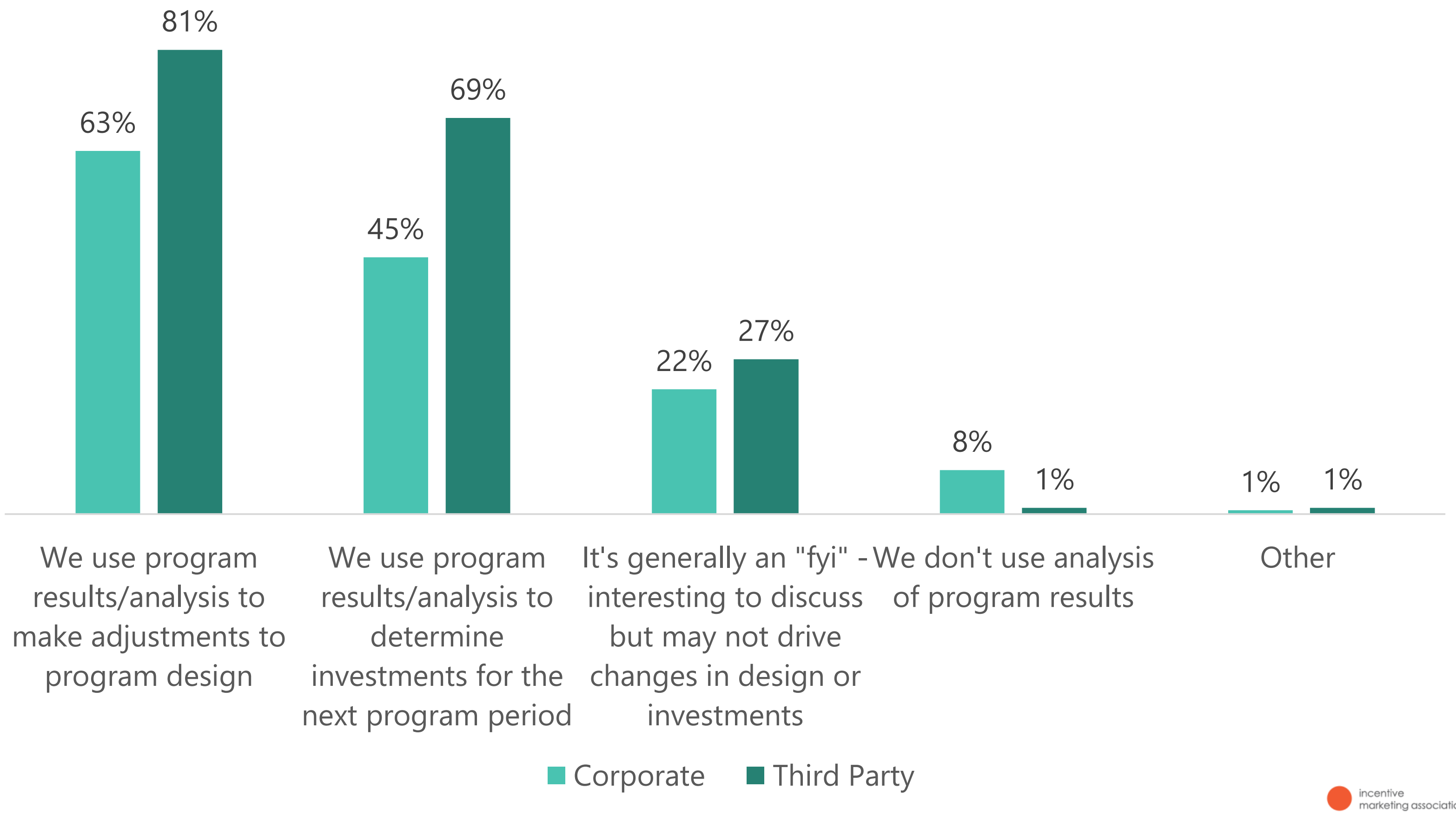
One half of corporate respondents indicate they do not do any reporting or analysis for their non-cash program. Third-party providers are commonly reviewing earning and redemption reports, participation reports, and behavior-change analysis.



Thinking about reporting and analysis for [Field-whose] programs, which of the following are used: (Select all that apply.)

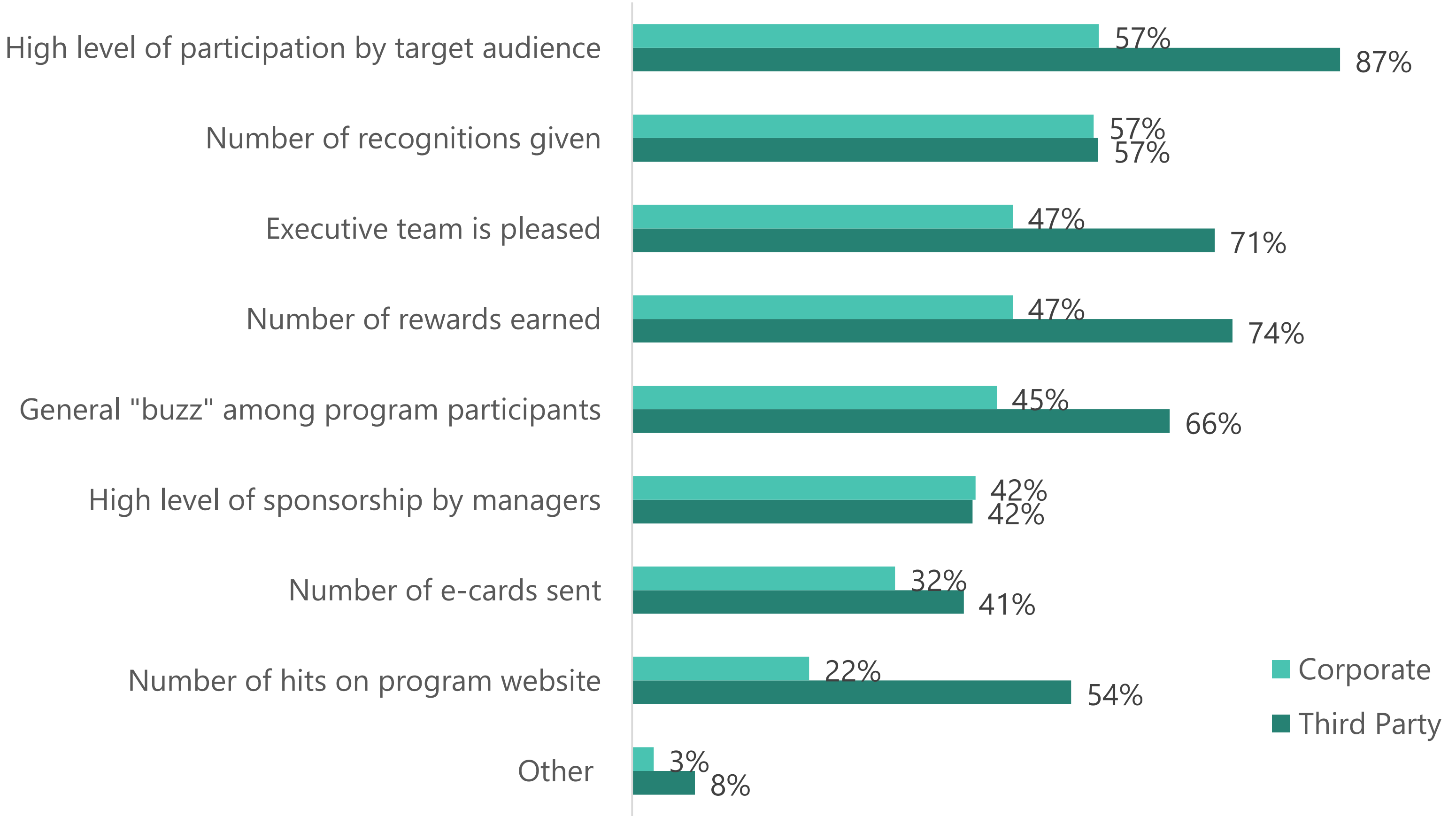
Reporting & Analysis - Usage

When analysis is done, it is most-commonly used to make adjustments to program design and to determine future program investments.



How is the analysis of program results typically used? (Select all that apply.)

Program Metrics - Activity



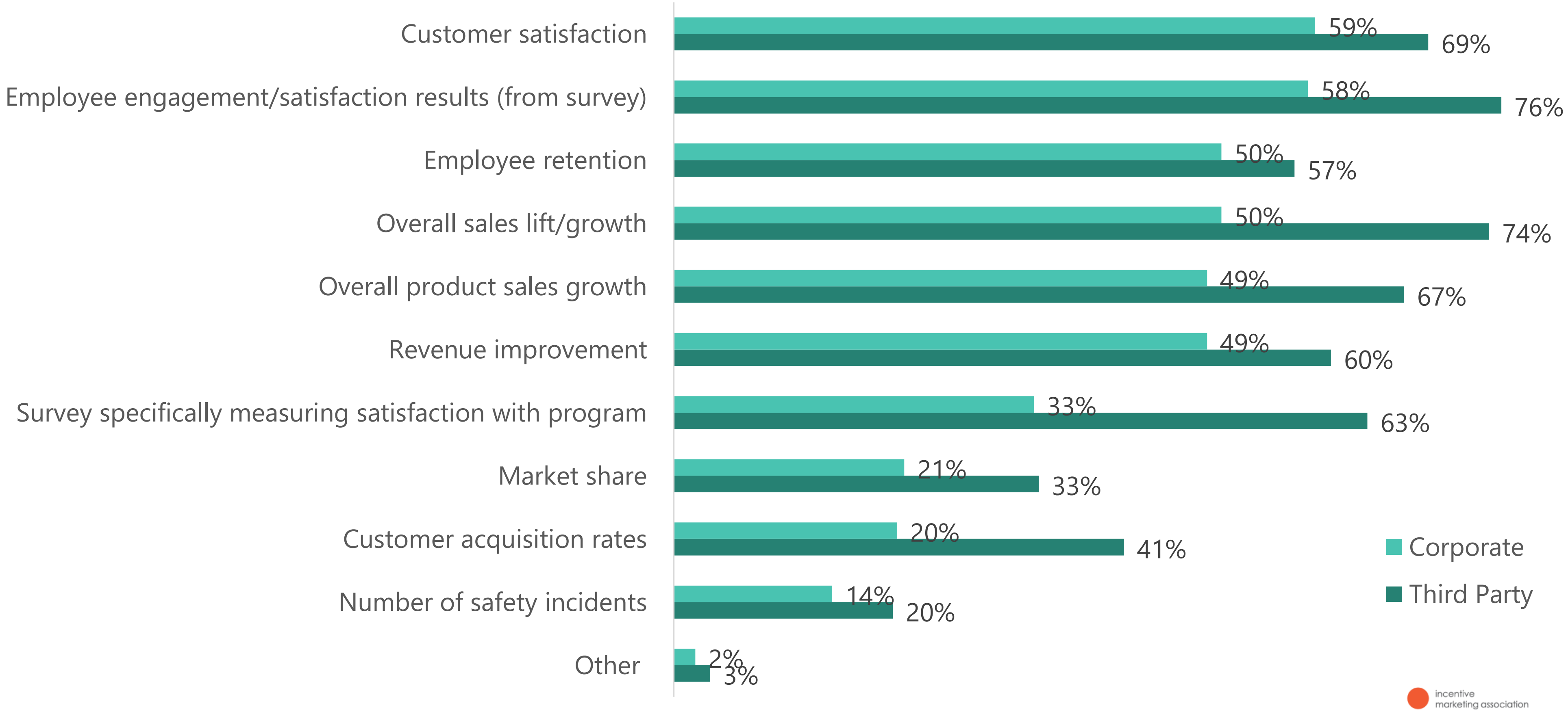
Third-party providers most commonly use participation to demonstrate program success, and are also likely to point to executive satisfaction, rewards earned, and participant energy as success factors.

Corporate managers are most likely to be assessing participation and number of recognitions given.

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.

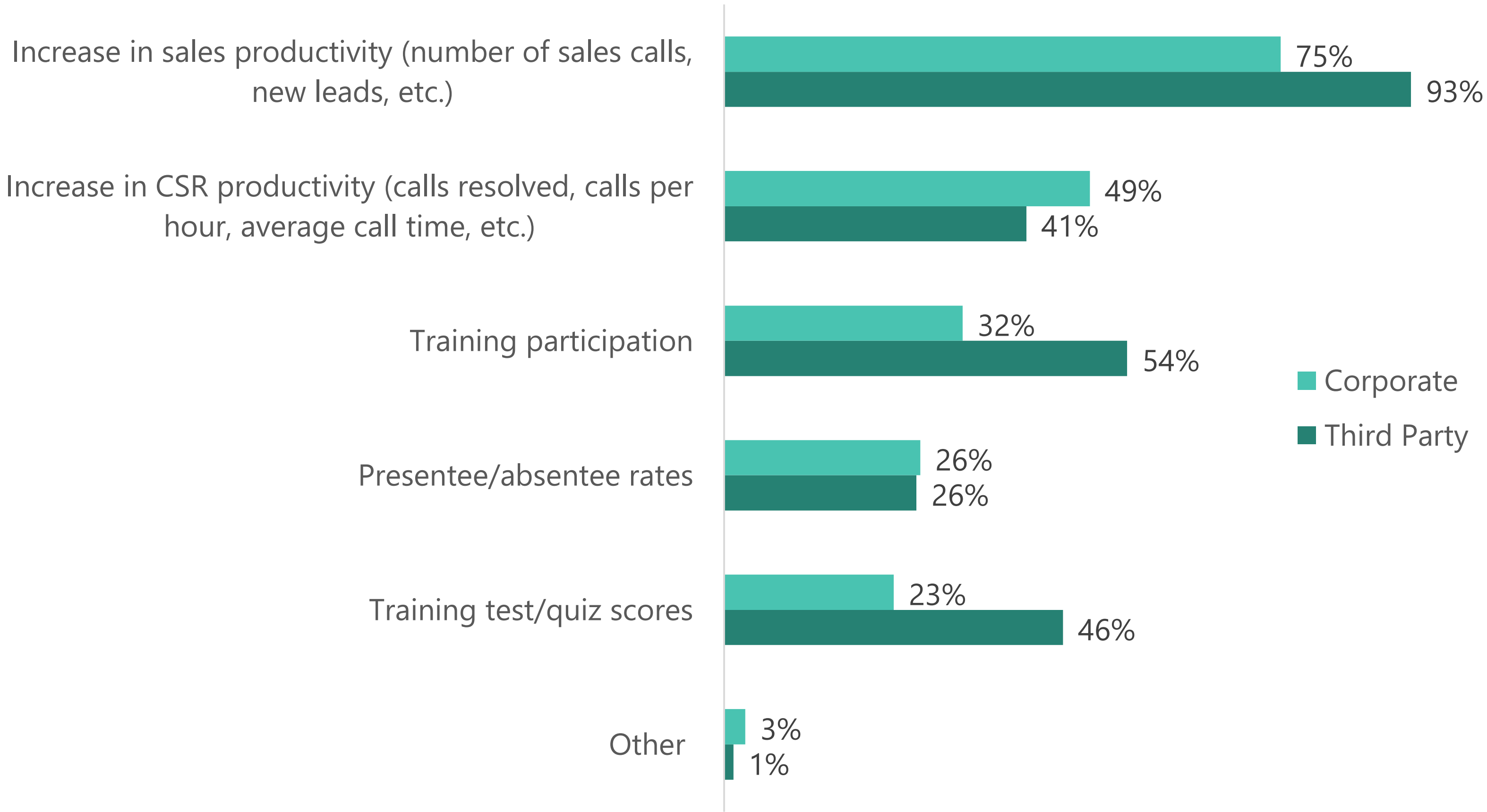
Program Metrics - Outcomes

For corporate audiences, customer satisfaction and employee engagement survey results are the most prevalent outcomes assessed, while third-party providers also look to overall sales lift/growth as an indicator.



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

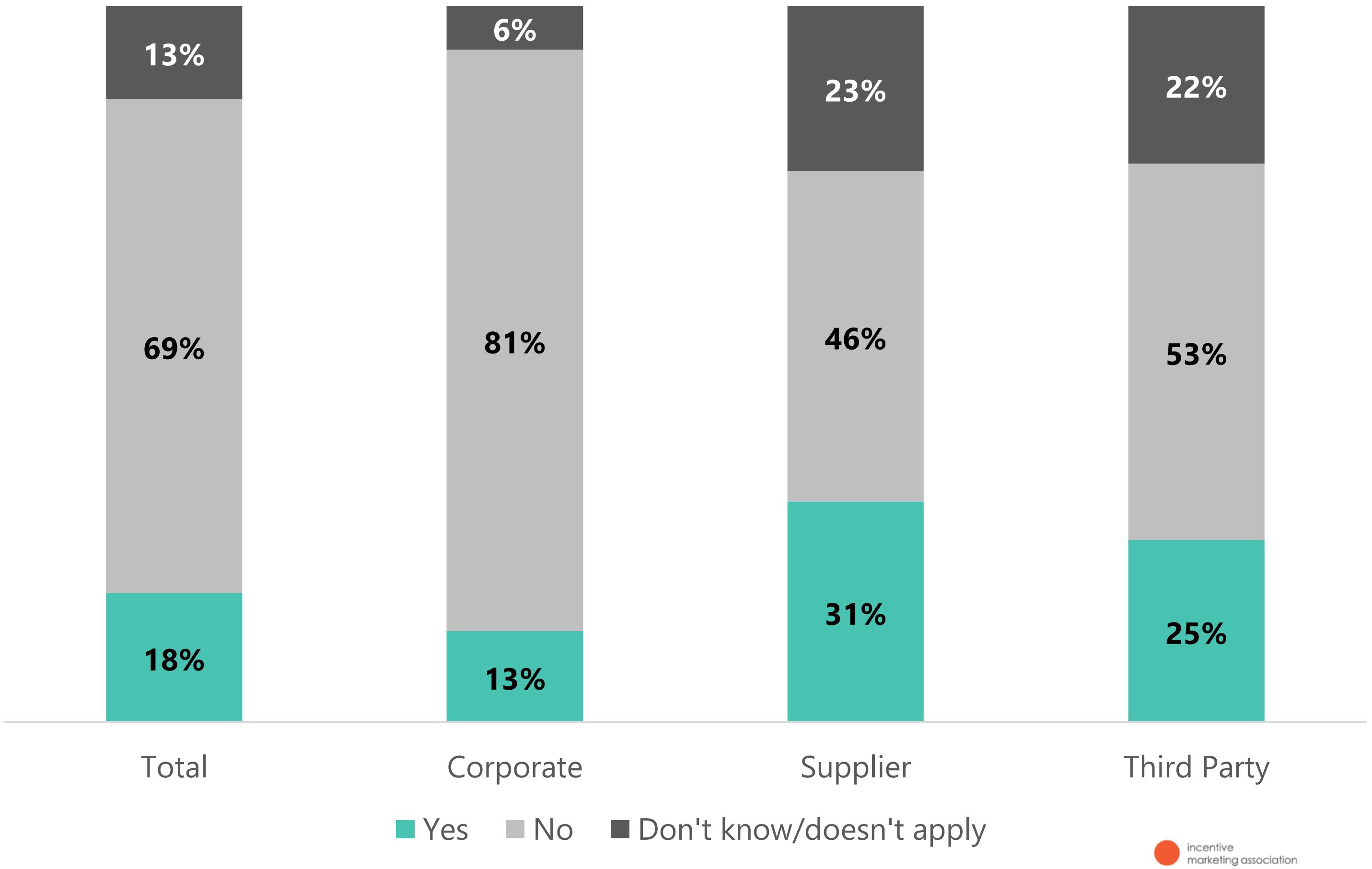


Sales productivity is used by a majority of respondents, both corporate and third party, to establish the impact of a program.

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.

Most corporate respondents have not cancelled a program in the past year. Nearly one-third of supplier and a quarter of third-party providers have had a client cancel a program in that time period.



In the past year, have you/your clients discontinued any merchandise/gift card program(s)?

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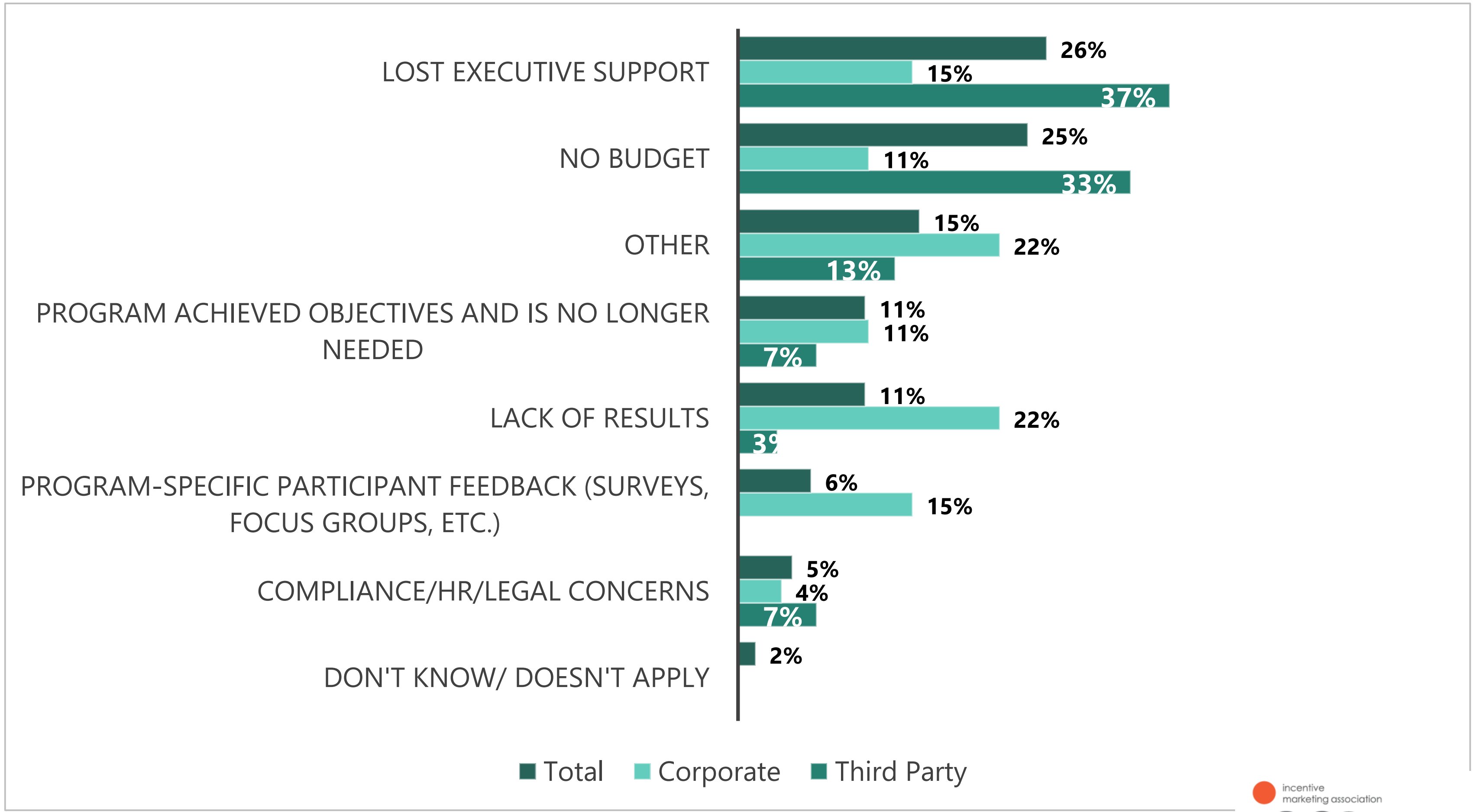
Top Reason Program Discontinued

Programs are canceled for a variety of reasons. On the corporate side, respondents point to a lack of results, along with participant feedback and lost executive support. Third-party providers feel that lack of executive support and budget are the key factors in programs discontinuing.

*Supplier sample size too small to report on.

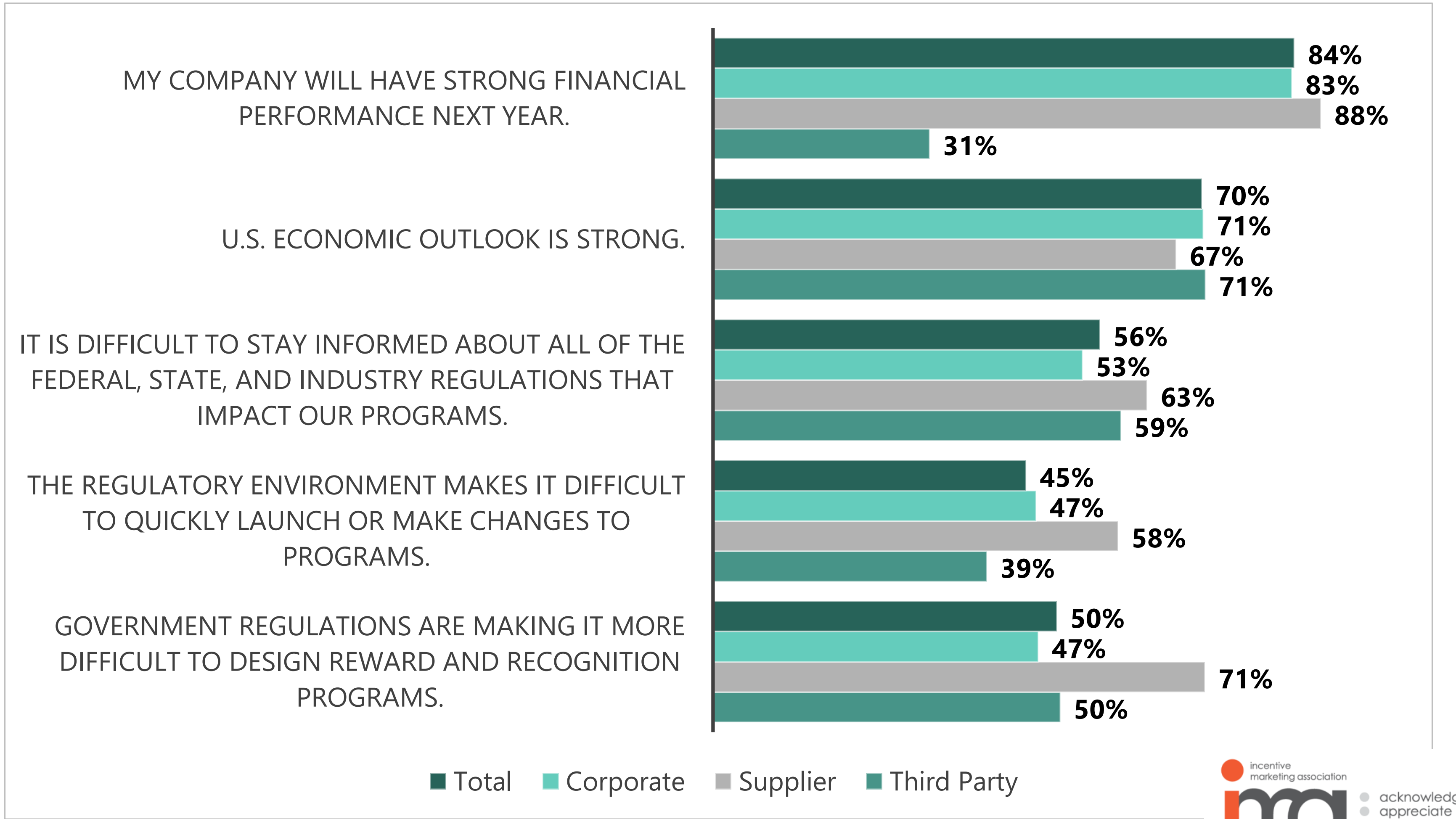


What is the top reason for discontinuing the program?

Overall Outlook

Industry stakeholders have very strong expectations for the financial performance of their own organizations in the coming year. The outlook for the U.S. economy is also strong.

The regulatory environment makes it challenging to be knowledgeable about requirements that impact their incentives programs.



Looking ahead to the next year, to what extent do you agree with the statements below?

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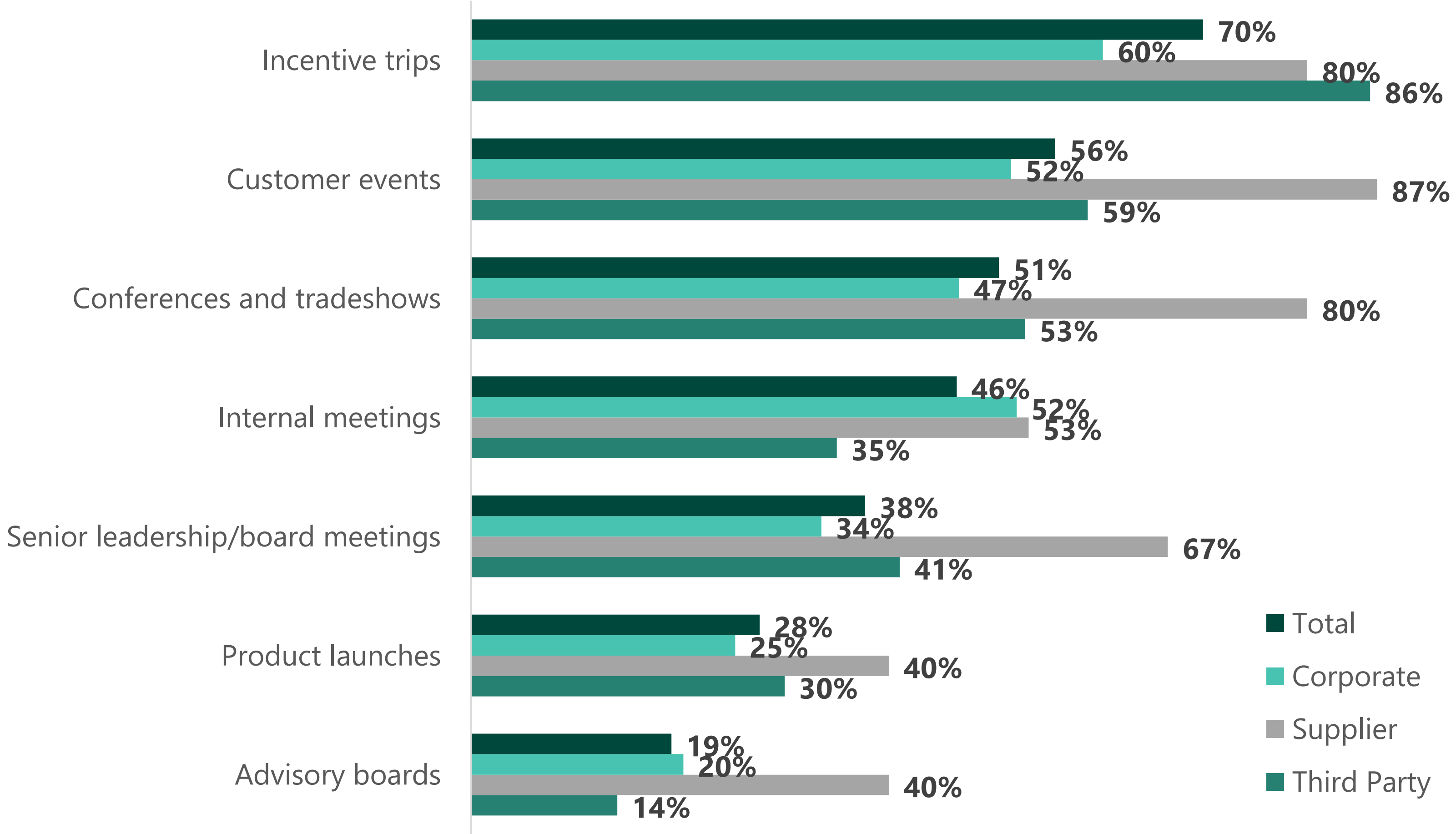
Event Gifting

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, and customer events.



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

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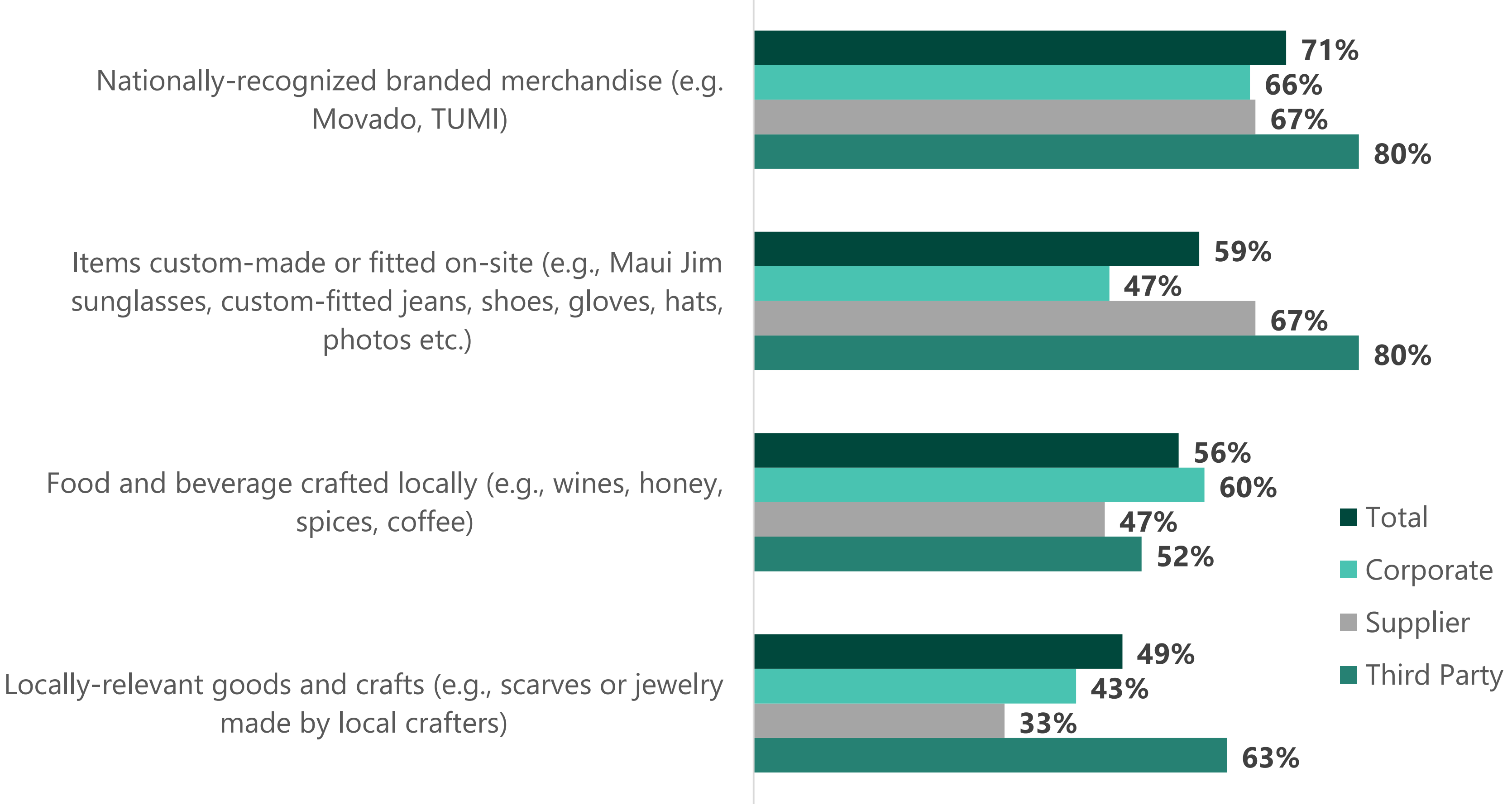
Event Gifting – Gift Types

Branded merchandise with national recognition is the most common gift used by corporate audiences, followed by locally-crafted foods. Third-party providers and suppliers are most likely to be including custom-fitted gifts in their client events.

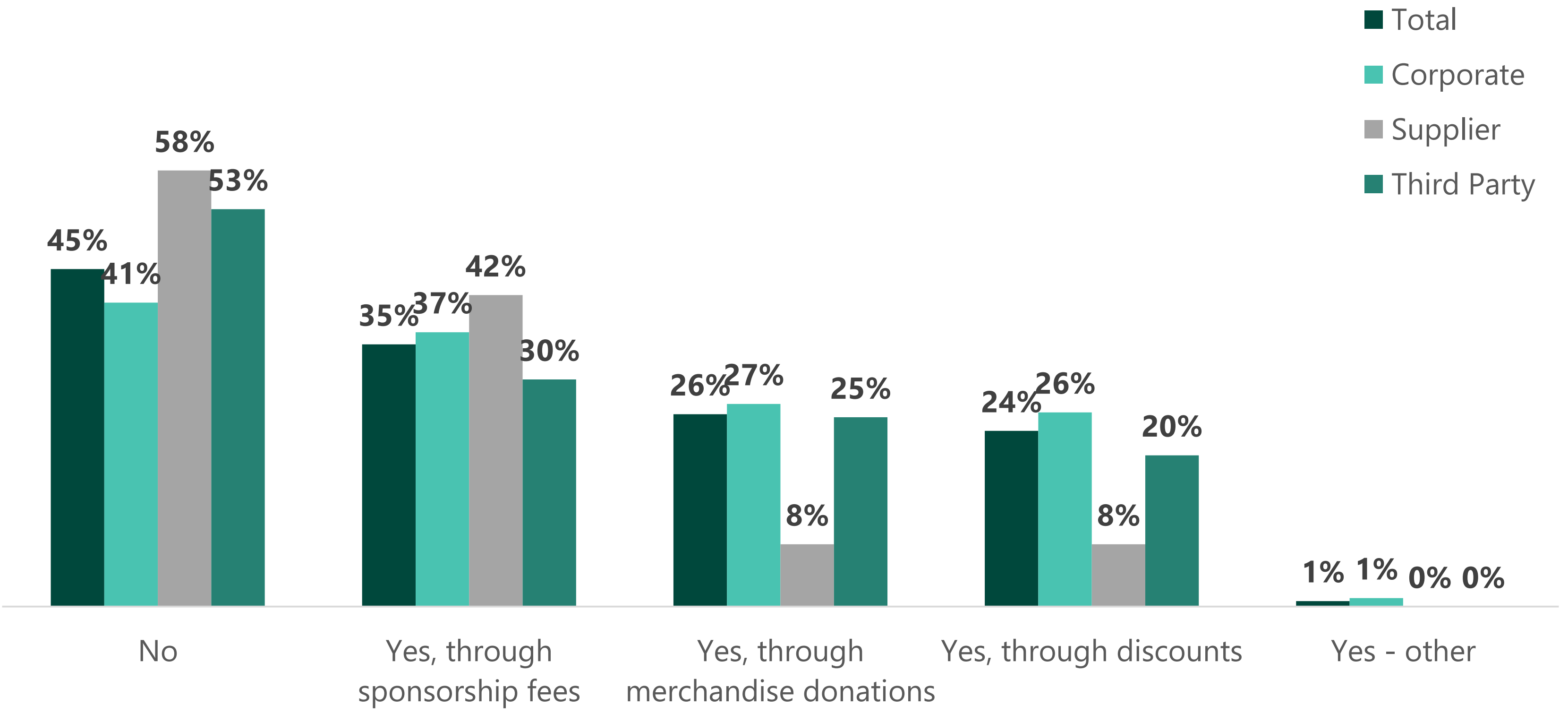


Which of the below do you/your clients use as part of your/your clients' meeting/event gifting? Select all that apply.

incentive marketing association
acknowledge
appreciate
award
achieve
Incentive & Engagement Solution Providers

Event Gifting – Gift Types

Sixty percent of corporate buyers say the cost of gifts is offset by sponsors, most usually through sponsorship fees, although about a quarter receive merchandise donations or discounts.



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

Event Gifting – Gift Sources

There is a high incidence of corporate buyers using retailers to source their event gifts, although corporate sales teams are used by about half of respondents.

*Lists used to source survey responses likely skews these findings.

From which of the sources below do you purchase event gifts?

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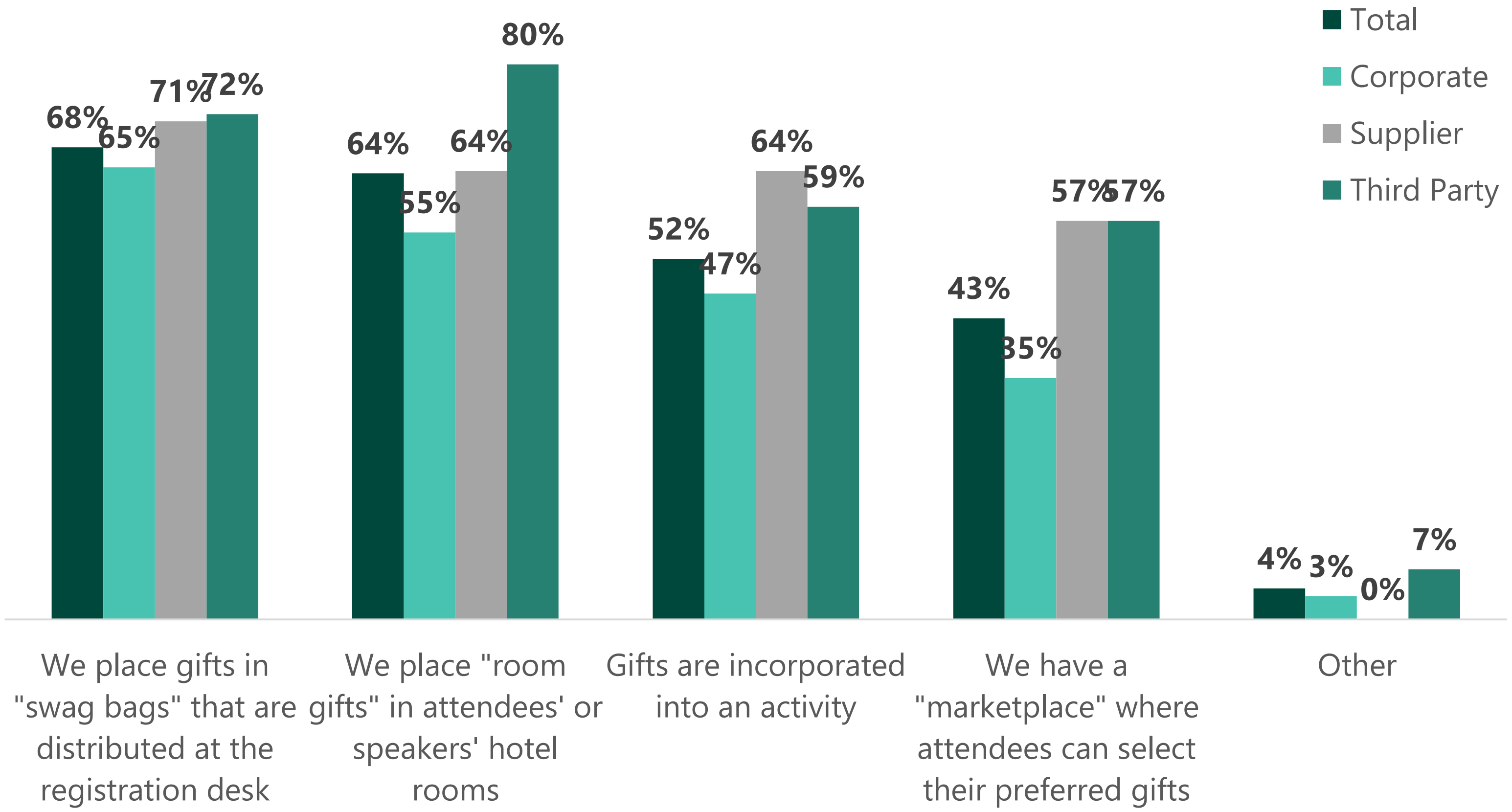
Event Gift Distribution

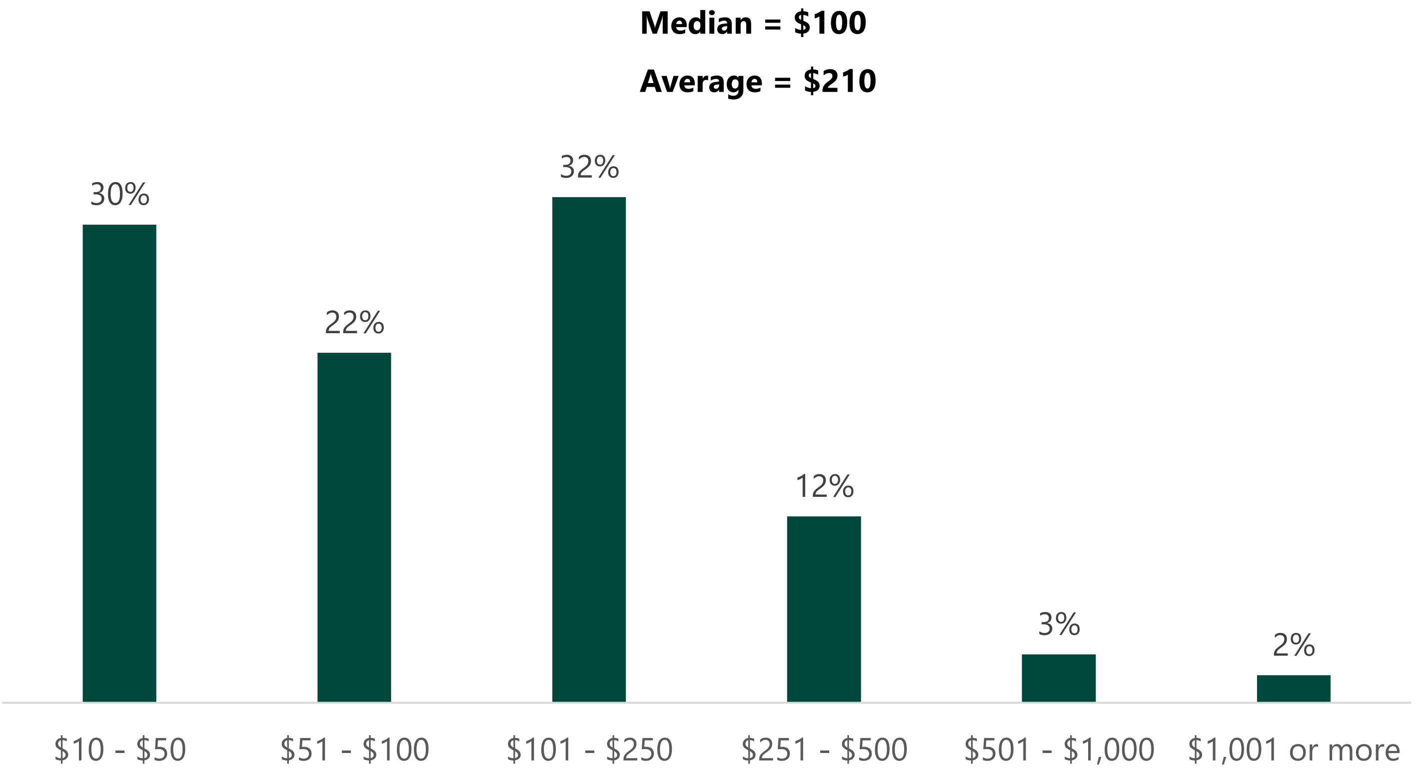
Event gifts are most commonly distributed at the registration desk. About a third of corporate audiences have incorporated a gifting "marketplace" experience into their event.



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

Average Per-Attendee Gifting Spend

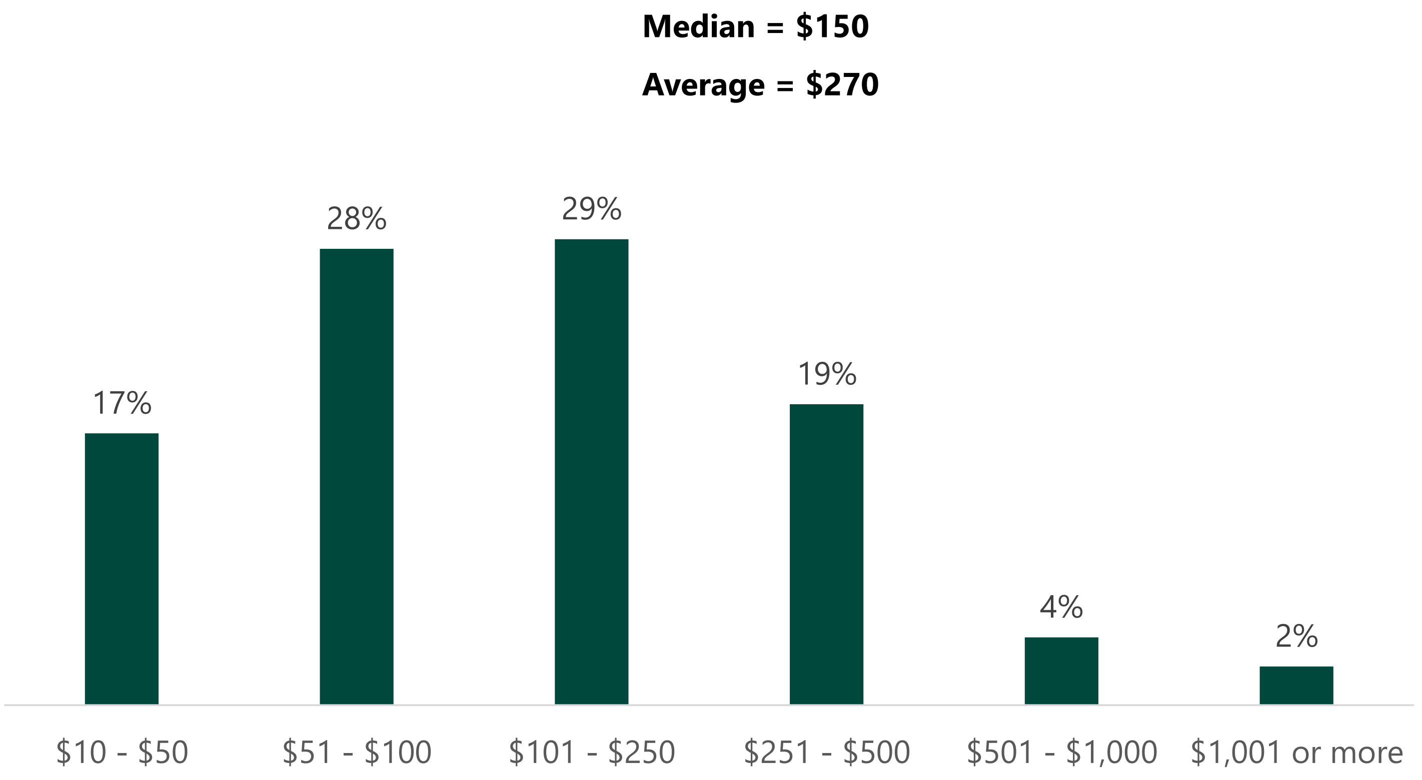
Attendee gift spend is most commonly around $100, but many respondents are spending $10 to $50 per attendee. A small proportion are making significant investments in attendee gifts – these are most likely for small events for key clients or high-performing salespeople.



What is your approximate per-person spend for event gifts? - For attendees.

Average Per-Speaker Gifting Spend

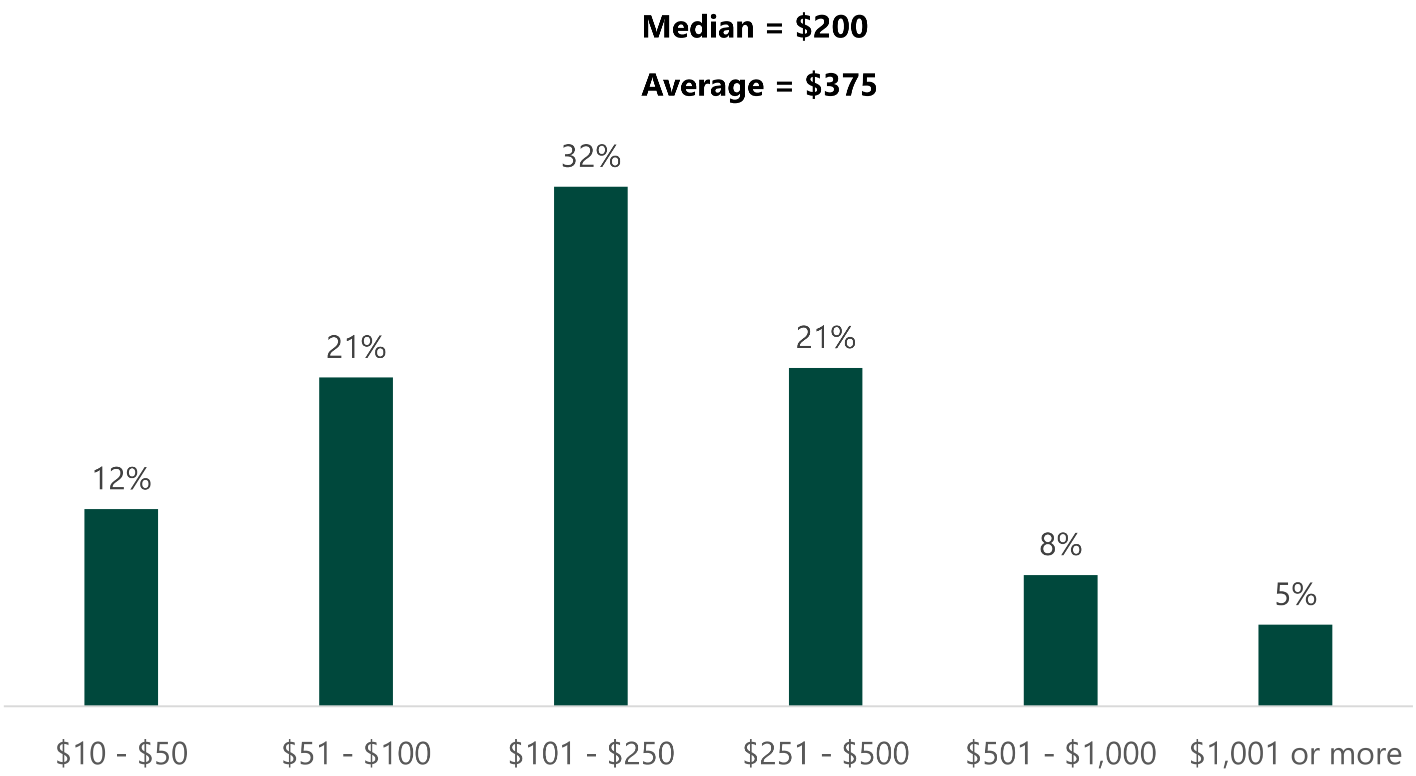
The median per-speaker spend is $150, although some are spending considerably more.



What is your approximate per-person spend for event gifts? - For speakers.

Average Per-VIP Gifting Spend

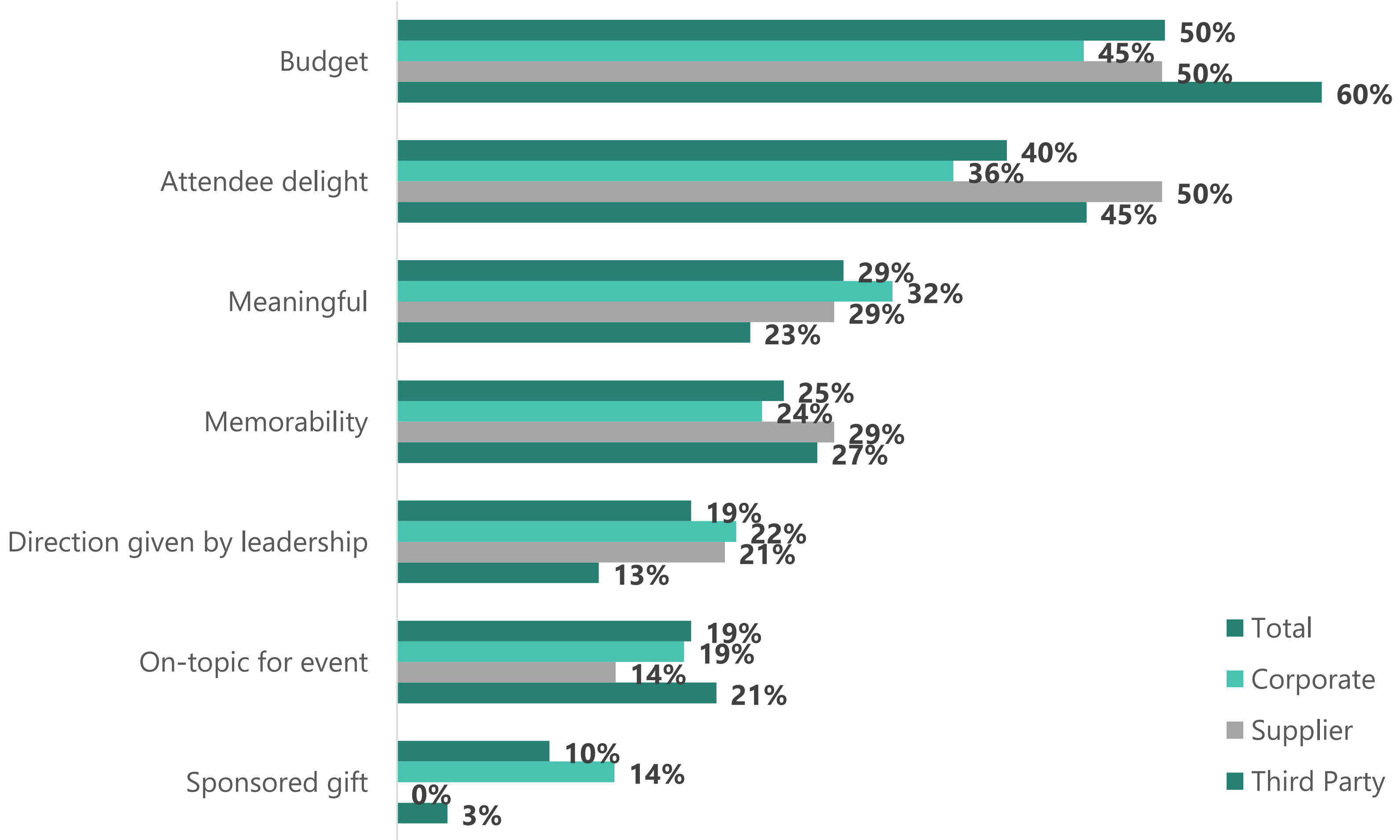
VIP attendees command a higher spend rate than attendees – on average $375.



What is your approximate per-person spend for event gifts? – For VIPs.

Priorities When Selecting Event Gifts

For corporate buyers, the top considerations when selecting event gifts are budget, attendee delight, and meaningful gifts. Suppliers and third-parties emphasize budget and attendee delight considerably more than corporate buyers do.

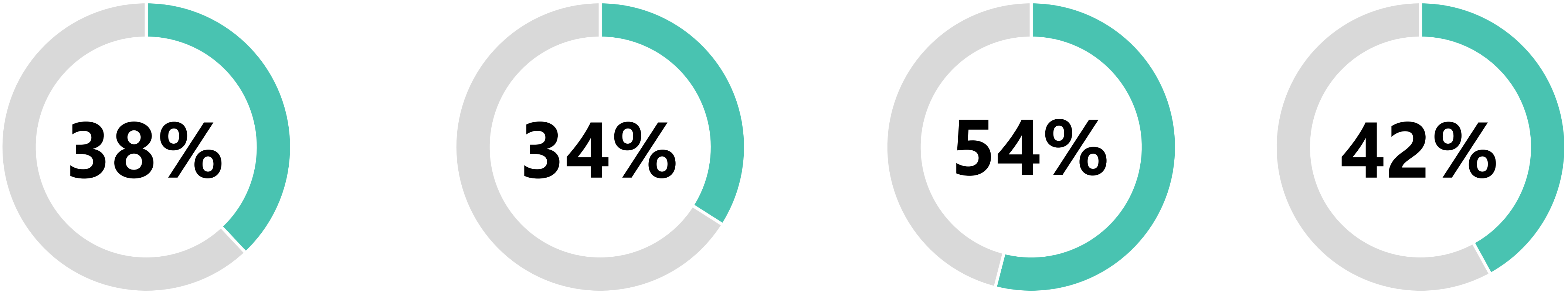


What are your/your clients' priorities when selecting event gifts? Percent of respondents placing priority in top 2 most important.

Event Gifting Budgets - Net Increasing for 2019

All segments anticipate event gifting budgets to increase in 2019, although suppliers and third-party providers have a more optimistic outlook than their clients.

TOTAL | **CORPORATE** | **SUPPLIER** | **THIRD PARTY**

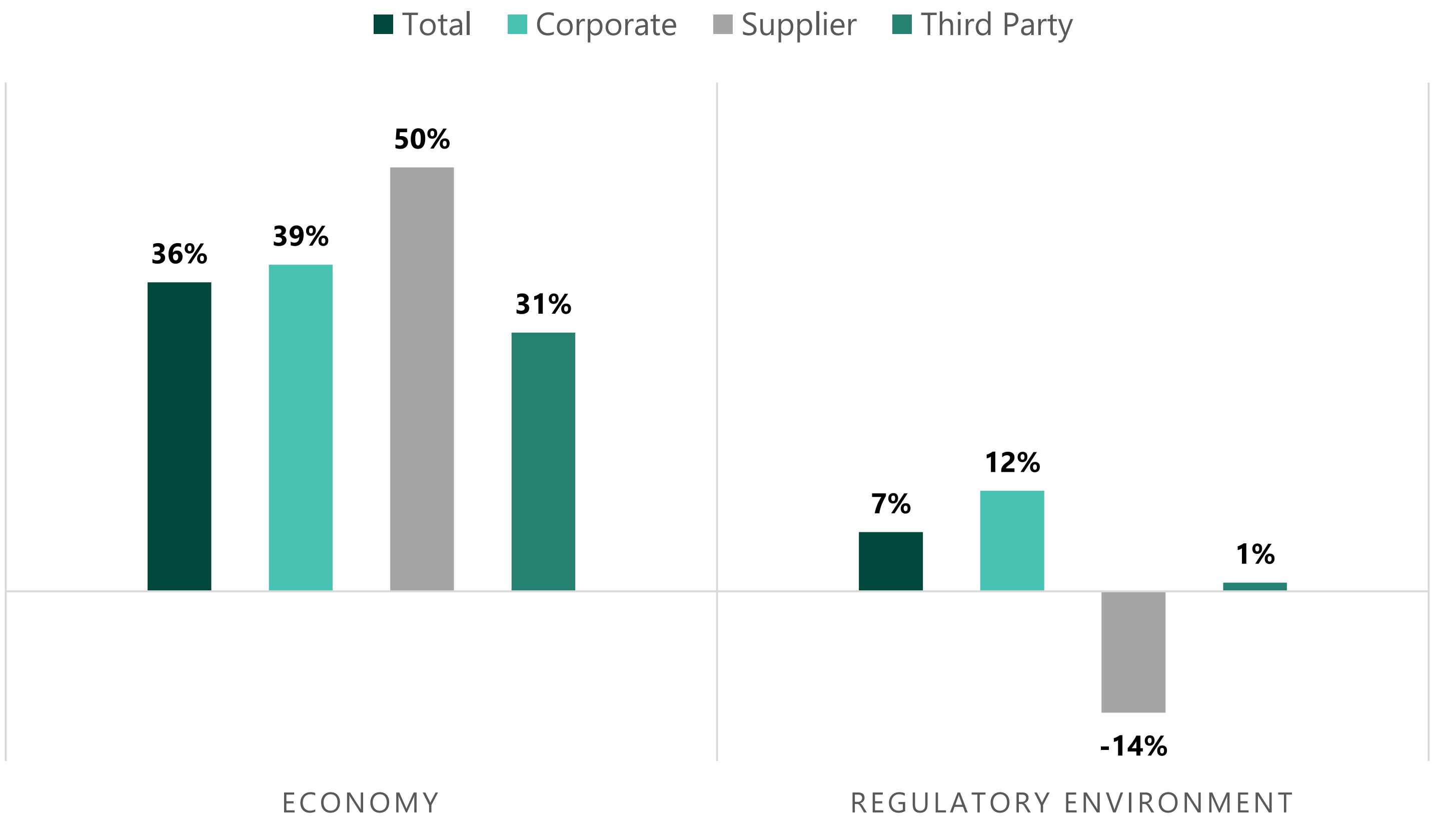


Which of the below best describes your expectations for event gifting budgets for 2019?

Net Optimism by Audience

The overall outlook for the coming year is positive for professionals charged with event gifting. Corporate respondents have a net optimism of 39%, and suppliers are even more optimistic as a group.

The regulatory environment does create a cautious outlook for the marketplace, particularly among event gift suppliers.



In the coming year, what impact will the factors below have on your/your clients' event gifting?

Incentive Research Foundation

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

- Incentive & Engagement Solution Providers (IESP), a strategic industry group of the Incentive Marketing Association – Research Advocacy Partner & survey distribution
- Maui Jim – survey distribution

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ima

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