

The IRF 2020 Trends Report

The IRF 2020 Trends Report highlights key trends that will affect organizations, their products and services, and the workforce in 2020. From enhancing program reporting to embracing the experience economy, the study identifies key areas of change and their implications for workforce engagement, incentive travel, and recognition.



Executive Support of Incentive Program is Strong – Most of the Time

Executive support for reward and recognition programs is strong. The upcoming *2020 Top Performer Study* reports that 94% of executives at top performing firms are strong supporters of incentive programs and consider them a competitive advantage. This top-level support tends to result in increased investment and visibility in the organization, which allows programs to grow, program designers to enhance offerings, and often provides funding and program rules that include a greater number of participants.

This increase in exposure often requires program owners to make the business case for incentives, recognition, and rewards.



According to the IRF's *Industry Outlook for 2020*, 19% of program cancellations were due to lack of executive support (down from 26% as reported in the 2019 *Outlook* study). In one high-profile example in 2019, it was reported that Charles Schwab Corp. scaled back its incentive trip to Hawaii, citing "reputational risks" associated with award programs. Top performers instead received a cash reward and paid time off. The IRF responded with an article that explains the benefits of non-cash rewards – facts that program owners have found useful when defending the value of incentive programs to management.

Reporting and Analysis are Growing

Since there continues to be pressure from management for incentive program owners to prove the value of their programs, the amount and type of reporting and analysis of incentive programs continues to increase. In the IRF's *Industry Outlook for 2020*, we reported that corporate users conducting analysis on how programs change behavior increased to 44%, compared to 25% in 2019. It can be difficult to establish causality, so most organizations measure based on correlations. Metrics for tangible benefits include decreased staff turnover, increased productivity, sales, revenue,



market share, gains in customer satisfaction, and customer acquisition. While more difficult to measure, metrics for intangible benefits include employee satisfaction, collaboration, and impact on company culture. *The Incentive Travel Industry Index* also reported a stronger executive focus on "soft power" (e.g., engagement, productivity, relationships) boosting the role of incentive travel as a builder of corporate culture and engagement. An effective ROI analysis compares the full costs of an incentive program to its gains – both tangible and intangible.

Participant Satisfaction is the New Top Metric

According to the *Incentive Travel Industry Index*, participant satisfaction was ranked as the most important metric to demonstrate the value of an incentive program to senior management. These findings are reinforced by the IRF's *Industry Outlook for 2020*, which reported that satisfaction level of participants is the most common measure of program success used by both corporate (68%) and third parties (80%). While participation was the top program metric in 2019, this shift to participant satisfaction reflects the growing importance of designing for the experience economy and surveying program participants.



Wider Reach is More Impactful than Exclusivity

In order to motivate and engage a larger number of program participants, designers are structuring programs with a wider reach, with the goal of each participant receiving recognition or rewards. According to the *2020 Top Performer Study*, top performing firms are 64% more likely than average performing firms to design programs with the goal of broad reach rather than exclusively rewarding top performing program participants. Many program owners are running multiple or tiered programs, often including an incentive trip for the top tier performers and rewarding additional participants with merchandise, gift cards, or local experiences.



Emphasis on the Experience Economy

As preferences shift from material things to seeking out unique experiences, incentives professionals are becoming experts in the experience economy. For incentive travel to be a true reward, it needs to be unique, fresh, and authentic to the destination. *The Incentive Travel Industry Index* reported that 73% of DMCs, DMOs, and suppliers indicated that offering one-of-a-kind, exclusive experiences was the top method to add value. Experiencing the destination and building relationships through meals remain top rated items for successful incentive travel programs.



Closer to home, program designers are creating memorable experiences for program participants. With a focus on participant preferences, rewards include guitar lessons, spa days, cooking classes, products that support hobbies, access to new restaurants... the list goes on. Some companies are hosting incentive events and gifting in high-end retail locations, such as Fendi and Armani. At events, the traditional "gifting suite" has evolved into a marketplace experience where attendees can select and often customize gifts based on their preferences.

Managing Risk Online and Onsite

Marriott's massive data breach affecting the records of up to 500 million customers demonstrates a potential risk to any business that collects customer information, including payment information, names, mailing addresses, phone numbers, email addresses, and passport numbers. As incentive software becomes more sophisticated and program owners collect more participant data, the risk of being hacked also increases. Use of multiple platforms, as well as transferring data among platforms and vendors also expose data to potential threats. Investment and commitment to data security will continue to be critical to the incentives industry. Regulations, such as the European Union's 2018 implementation of the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA), which went into effect in January 1, 2020, are also driving increased measures to improve data management and security.



Incentive travel continues to involve a degree of financial and physical risk. *The Incentive Travel Industry Index* noted that challenges around safety, security, and marketplace uncertainty were the most important negative factors impacting programs planned for 2020 and 2021. The increased security requirements for travellers before arriving (ETIAS 2021, Canada CR/TRP) are creating the need to educate the customer to avoid issues at departure. Additional security concerns include border security between countries, terrorism, natural disasters, and general marketplace uncertainty. Especially with locations that are considered risky, planners are investing more in security reviews prior to contracting, including background checks, extra security personnel, and additional risk management support from the venue.

Gift Cards Are Impactful and Easy to Give

As reported in the *Industry Outlook for 2020*, gift cards continue to be widely used, with median gift card amount remaining at \$100. The Fall 2019 issue of the *IRF Quarterly Academic Review* summarized research showing gift cards have the potential to capture most – and perhaps all – of the well-known benefits of non-cash rewards. Program awardees categorize gift card gifts as “fun money.” Many employers find gift cards easy to give and to administer compared to choosing specific tangible gifts or rewards.



Branded gift cards that align with the likes and interests of the recipient deliver greater perceived value than an equivalent open gift card or cash. In 2019, online retailer gift cards outpaced coffee, which was 2018’s top gift type. Retailers that are exclusively online (e.g., Amazon) are the most popular type of gift card (65%) – ahead of coffee (61%). Surprisingly, 69% of corporate purchases occur at retail locations, such as grocery and drug stores, when robust options exist for plastic card fulfillment and digital rewards through gift card distributors and incentive companies.

Long Haul Destinations Are Becoming More In-Demand

The *Incentive Travel Industry Index* reports that Western Europe and Central America are the top long-haul destinations used by North American buyers. As the focus sharpens on the experience economy, program participants are craving new destinations and new experiences. Planners are expanding their searches to second- or third-tier destinations so that participants experience something new and unique. According to the *Incentive Travel Industry Index*, North American buyers showed favorable interest in Oceania, Southeast Asia, and Central America, with approximately 9-12% more buyers expected to increase use of those destinations over the next two years.



One Size Does Not Fit All – Personalization is Key

When it comes to motivation and rewards, one size does not fit all. Program designers are developing innovative ways to include personalization throughout their programs in order to make a lasting impression on program participants. Using participant data, gift card and merchandise options are customized so that the program participant's reward aligns with their interests and is therefore viewed as a valuable and memorable reward. Incentive event planners survey attendees prior to the event in order to provide attendees customized experiences, meals, and gifts based on their personality traits and expressed preferences.

Personalization requires a higher level of data collection and analysis, as well as a longer lead time. For example, custom-made items may need to be sourced ahead of the event, or shoe sizes need to be collected so that high-end flip flops can be dropped in the rooms of attendees staying at a beach resort. Creative planning and clear communication to award recipients is also necessary to ensure the success and impact of personalization of rewards.

