2021
IRF TRENDS REPORT

The IRF 2021 Trends Report highlights key trends that will affect organizations, their products and services, and the workforce in 2021. The pandemic impacted everyone, with some industries suffering from the economic downturn and others booming. Uncertainty will continue to make planning a challenge in 2021, with many industries' recovery depending on wide distribution of the vaccine. A pent-up demand for travel, Zoom fatigue, virtual offices, and new job seekers are just a few examples of changes to the workforce that companies will navigate in 2021.

INCREASE IN INDIVIDUAL REWARDS

The pandemic and resulting quarantines, work-from-home orders, and travel bans drove an increase in individual rewards in 2020. With the emphasis off the traditional group incentive travel reward, incentives professionals had a unique opportunity to re-examine the value of individual rewards. Merchandise, points, gift cards, and individual travel rewards proved to be powerful motivators.

The use of merchandise and gift cards increased significantly during the pandemic, and they were used as alternatives and interim award substitutions for group travel. **According to 2020 IRF Pulse Surveys, merchandise was used by 68% of incentive programs, and use of gift cards was up 26% since the pandemic started.** Gift cards especially allowed for high levels flexibility, creativity, efficiency, and speed when used to motivate important audiences during the pandemic.

Looking ahead, the trend toward using more merchandise and gift cards continues. **The IRF Industry Outlook for 2021 reports an overall predicted net increase of 33% for gift cards and 24% for merchandise.** The average value of a merchandise reward is $160, and 32% reported their average merchandise value to be $200 and higher. Additional studies affirm that merchandise gets results when used in incentive programs. The IRF's *Rewards Preferences* study reported that "a significant merchandise gift" was ranked in both the top five employee preferences and the top five motivators.

As travel resumes, there will likely be an increase in individual travel awards and small group incentive trips as some travelers may be reluctant to gather in larger groups. Travel gift cards and resort gift cards are being used as rewards, as well as platforms with a variety of options, such as bespoke bookings and certificates for stays that include transport and activities.

Suppliers are extending group rates for smaller groups and individuals. Minimums are being eliminated, and companies are being much more flexible. **For the first half of 2021, there are much smaller group sizes anticipated, hosted in controlled settings.** Planners are finding creative ways to distance attendees. While people embrace the return to group settings, these events are often complicated and costly.

LARGE GROUP EVENTS DEFERRED – BUT STILL A PRIORITY

Organizations continue to value incentive travel award programs, and many are committed to resuming large group events, despite a series of delays in 2020 and into 2021. For example, when one company gave individuals a choice of money or to wait for the next trip, most chose to wait for a future trip. *The IRF's July Pulse Study* reported that of those who postponed their incentive travel reward, 79% noted that there had been no change to their budget.

The IRF's Pulse Studies reported that cancellations were relatively low given the pandemic at 25% in April 2020 and 42.5% in July 2020. Many large group events continue to be postponed, with groups noting that they are not willing to divide up or host smaller events. When the IRF surveyed incentive professionals for the July study, they indicated that the second quarter of 2021 is soonest incentive trips will be held for most program sizes. This date is trending later, being pushed out further by many organizations as we gain more clarity on the distribution schedule of the vaccine. Suppliers have noted that RFPs for incentive travel in 2022 and beyond are increasing.

Program owners are adjusting rules structures to accommodate a return to group travel. Goal setting could prove challenging because year-over-year data will likely be skewed for many industries. While some industries will see fallout for 2021 programs due to decreases in sales, other industries that provided critical products and services during the pandemic will have a larger pool of participants to reward. Program owners will also have to plan for trips delayed during 2020 as well as plan trips for multi-year winners.

The industry anticipates a strong return to incentive travel, and compression is already posing challenges for late 2021 and 2022. **With so many postponements and deferrals, organizations may have a hard time finding venues in 2021 and 2022.** In addition to venue inventory, staffing reductions may cause delays. Hotels and DMCs are slower to respond after furloughing staff. One incentive house reported that a provider turned down an RFP for a travel program in 2021 because they were too busy delivering on virtual events in Q1 of 2021 to quote for live events in Q3. Agency-client relationships have been disrupted by layoffs or reorganizations on both sides.

Incentive program locations are also subject to change. *The Incentive Travel Industry Index* shows a significant shift within all regions to keep programs closer to home and favor far-flung destinations with strong perceived management of the pandemic such as Australia and New Zealand, taking into account travel restrictions. Program owners are increasingly considering destinations and properties with ample space to spread groups out, and those with options for outdoor activities.

IRF Incentive Research Foundation

MOVING THE MIDDLE

Merchandise and gift cards proved to be effective motivators to broader audiences during the pandemic, and many incentive program owners are applying these lessons learned in 2021 and beyond. **According to The IRF 2020 Top Performer Study, 54% of top performing companies design their incentive programs with goal of reaching each participant,** with another 22% designed with the dual goal of rewarding exceptional performers and maximum participant reach.

While top producers have been rewarded with group travel and high-ticket merchandise, **smaller reward amounts can be used to "move the middle" 60% of producers and raise the overall performance of the organization.** Tiered programs might focus on expensive incentive travel programs at the top tier, then add in merchandise and gift cards at the second and third tiers, allowing for a wider variety in per-person spend.

A wider reach for incentive programs could play a critical role during recovery. It might be necessary to rebuild morale, engagement, trust, and collegiality, and these are behaviors that the majority of employees must observe to move the needle. Even rallying people who got used to enormous flexibility and are now expected to return to the office five days a week might prove very challenging. Incentive program owners may be identifying and rewarding many new behaviors that will reestablish new corporate cultures. Many of these efforts could involve smaller, frequent rewards on a larger scale. For example, Dollar General is incentivizing its employees to get the vaccine by offering four hours of paid time off when they get the vaccine.

PERSONALIZATION & CHOICE INCREASE IMPACT OF REWARD

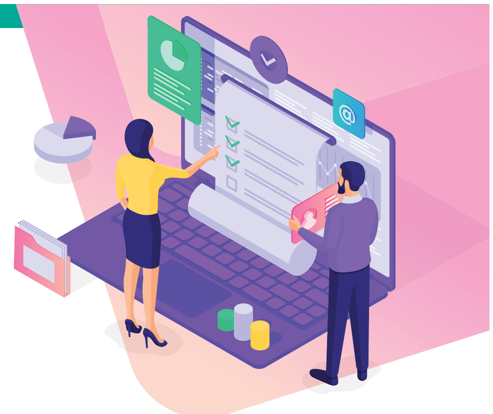
Simple 'one size fits all' approaches to reward and recognition typically do not achieve their full potential in motivating and engaging employees. The IRF's *Reward Preferences* study released in November 2020 reported that employees differed widely in how they liked to be recognized for their work contributions. **A curated, thoughtful choice of reward options is an important aspect of an effective recognition/reward program.**

Program owners are developing innovative ways to include personalization throughout their programs in order to make a lasting impression on program participants. Personalization ranges from expensive gift packages like a high-end motorcycle with a full leather outfit to a hand-written note from a supervisor included with an Amazon gift card. Merchandise catalogs offer a variety of options and frequently include individual travel experiences.

For some employees, personalization that includes their family will make the reward more meaningful. For example, some program owners are sending rewards to the employee's home, so the family receives the merchandise gift or resort gift card in a company branded box. **Personalization makes the most significant impact when the recipient is given choices, the reward selection is curated to reflect the employee's preferences and interests, and the reward aligns with the organization's culture.**

Personalization and choice also apply to travel incentives. *The 2020 Incentive Travel Industry Index* showed that one of the major changes anticipated in group travel incentive is an increase in individual choice. **Individual preferences that self-direct activity, meal, and gift options give each participant the option to create their own unique experience.** One program owner reported that their groups self-select where they are going, so trips are in waves to multiple destinations. Other program owners noted that award winners opted out of travel and selected merchandise.

CONTRACTING & CONTINGENCY PLANNING ARE MORE IMPORTANT THAN EVER



While always important, the need for planning for disruptions took top priority as a result of the COVID-19 pandemic. Whether designing a large-scale incentive travel program or a local experiential reward, contracts need to be carefully reviewed and contingency plans need to anticipate new and evolving disruptions.

The terms of an agreement make a huge difference now and will be under scrutiny in the future. **Contracts should be carefully reviewed by someone with specific knowledge of event- and hotel-related contracting.** Hotel contract provisions should address items such as known and anticipated risks, safety/cleanliness procedures, government rules and best practices for health and safely, and a written safety plan. Force majeure clauses may allow either party to cancel, reduce, or postpone performance. Force majeure clauses should specifically mention *disease*, *epidemic*, and *pandemic* and address government regulations and travel bans.

Working with Destination Management Companies (DMCs) helps planners plan safe events and establish contingency plans. **Work with DMCs that have relationships with restaurants, entertainment venues, suppliers, local government, police, healthcare, and emergency response at the destination.** DMCs can help program owners consult with police and government and gain local knowledge to be prepared should a crisis arise. A DMC is tuned into local events and can monitor and anticipate possible disruptions, which often develop quickly. Contingency plans and emergency plans should be documented for the event as well as the hotel or venue.

Program owners and meeting planners need to be prepared to provide alternatives in case elements of the event are not able to proceed as planned. For example, if an indoor group cooking demonstration cannot take place, consider an outdoor, socially distant group gathering. If attendees must isolate, consider delivering bundles of food prep kits to attendees' hotel rooms, equipped with kitchenettes, and invite them to participate in the cooking demonstration via Zoom.

DIGITAL DELIVERY & VIRTUAL ENGAGEMENT

Many segments of workforce accelerated the move to working virtually during the pandemic, and many people will continue to work remotely in 2021 and beyond. A growing remote workforce will affect how employees are motivated and how incentive programs should be designed. Many lessons were learned about the power of virtual engagement – and its limitations.

The ability to quickly distribute gift cards, points, and congratulatory messages via digital delivery enables program owners to keep employees engaged and motivated during especially challenging times. **Digital options enable immediate, coordinated, trackable delivery of rewards regardless of geographic location,** and groups of employees can receive their reward at the same time, such as during a virtual meeting. Gift cards and digital merchandise catalogs can be customized and curated to reflect employee preferences. Digital delivery can also increase control, enhance reporting, and reduce overall administration time for program owners.

Virtual meetings were the only option for many companies in 2020, and lessons learned will be applied in 2021 and beyond. Motivational meetings, such as sales kickoffs or all-hands management meetings that may have cancelled in 2020 and moved to Zoom will be reimagined in 2021. **Organizations are investing in virtual meetings with new software platforms and high-quality production for 2021** as they feel the need to gather in larger groups that a grid on Zoom. Virtual experiences, like wine tastings and cooking classes, are replacing local events. Many industry insiders predict that all meetings will have a hybrid element going forward, but what remains to be seen is if companies will be willing to invest the additional production costs to accommodate the parallel virtual delivery.

Virtual platforms may also be adopted for cost-saving purposes for meetings and events. Program owners can reduce the live audience size for specific events, or rotate years for live events with virtual event years. Since virtual platforms proved effective for training sessions, several program owners reported that they are considering removing or reducing the education and training elements from incentive trips. This would enable the incentive trip experience to focus on rewards, celebrations, and activities. However, tax requirements need to be considered for many of these types of programs.

Closing

2020 was a year like no other, and 2021 will likely be unprecedented as well. With many industries anticipating recovery once the vaccine is distributed, what will emerge is a workforce and sales landscape that in many ways has fundamentally changed. Incentive, recognition and reward programs will need to be reimagined to motivate this changing environment, accelerate recovery, and meet the evolving goals of post-pandemic companies.

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