



## **INDUSTRY OUTLOOK FOR 2023: Merchandise, Gift Cards and Event Gifting**

Despite continuing challenges to the global economy, those that manage corporate and third-party non-cash incentives currently hold a very positive outlook for 2023. Gift card and merchandise non-cash rewards spending increased in 2022. In both North America and Europe, the outlook remains positive for 2023.

The IRF’s survey, which for the second year included both North American and European respondents, was conducted in late August-early September 2022. In total, the study surveyed 239 North Americans and 304 Europeans from the United Kingdom, Italy, Spain, France, Sweden, and Germany. All respondents verified they had responsibility for non-cash incentive programs including merchandise, gift card, and event gifting programs, and confirmed their ability to offer informed insights about those programs, including budget and spend activities.

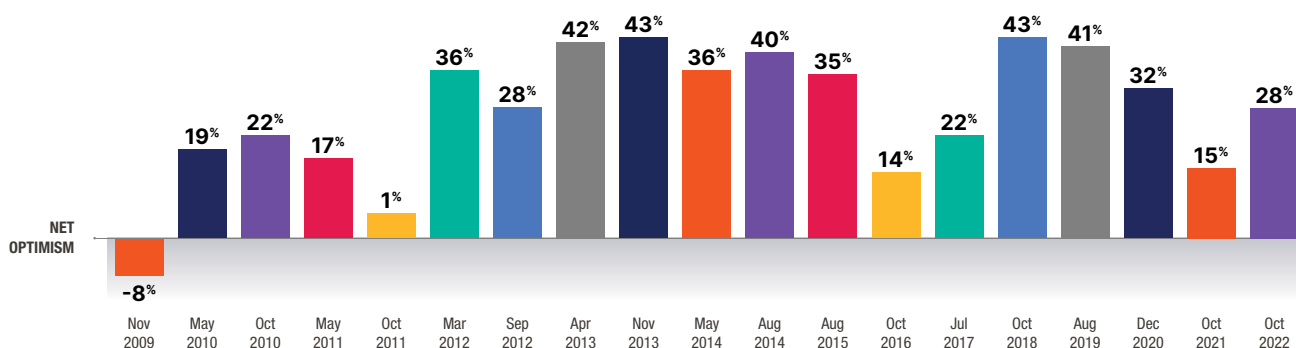
### The Financial & Economic Outlook Is Strong For 2023

Of the North American respondents, 88% agreed that their ‘company would have a strong financial performance’ in 2023, including nearly half (47%) who ‘strongly agreed.’ This slightly exceeds the pre-pandemic optimism in 2019 when 85% foresaw a strong forecast for their companies. Agreement on this item is also slightly higher than 2021 when 78% predicted a strong financial outlook for their companies in 2022. Similarly, 63% believe the U.S. economic outlook is strong for 2023 despite all the economic headwinds. The data throughout the study reflects this positive economic outlook.

European belief in the financial outlook for their companies is also positive with 82% agreeing their companies’ financial outlook in 2023 is positive. However, the degree of conviction among Europeans is not quite as strong with only 30% ‘strongly’ agreeing with this statement.

A second metric, measuring optimism toward the economy, is the ‘Net Optimism Index.’ This index is calculated by subtracting those that anticipate the economy will have a negative impact on non-cash reward/recognition program design from those that believe the economy will have a positive impact on program design. For North Americans, 53% felt the economy will positively impact non-cash programs, with 25% believing the economy will have a negative impact, for an overall net score of +28%. This is nearly double last year’s net score of +15%. In Europe, the net score was identical to North America at +28% with those believing the economy will have a positive impact outnumbering those that believe the economy will have a negative impact by a 2-to-1 margin.

**North America Net Optimism – Impact of Economy on Programs**

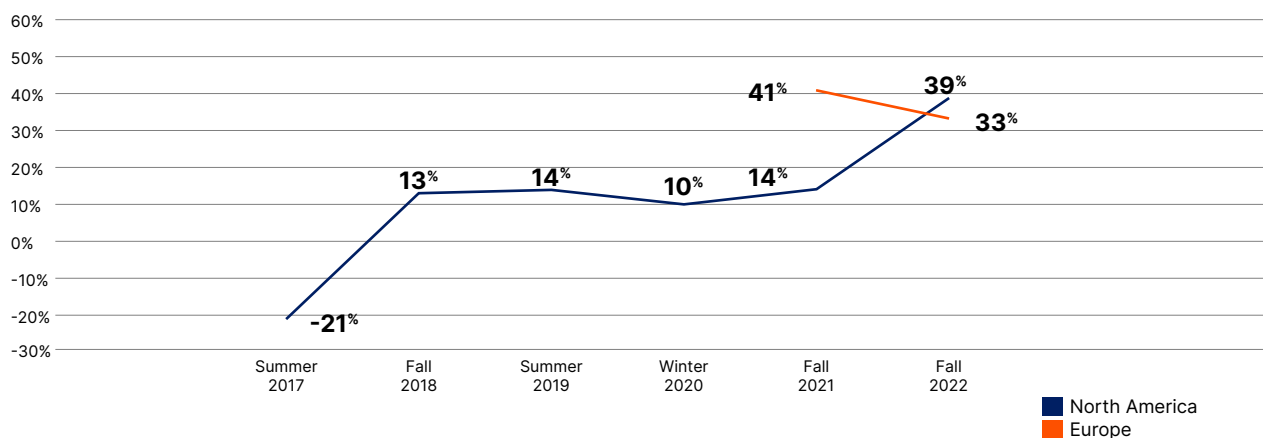


## Attitudes Toward the Regulatory Environment Are Very Positive, Both in North America and Europe

One of the more surprising findings in the study was the positivity toward the current regulatory environment in both North America and Europe. Fifty-two percent (52%) of North American respondents believed the regulatory environment would have a positive impact on non-cash recognition programs, while only 13% felt the regulatory environment would impact programs in a negative way. The results were comparable in Europe, with 49% predicting a positive impact and only 14% predicting a negative impact.

The following graph shows the dramatic reversal in attitudes toward the regulatory environment in North America, beginning in 2017 where negative attitudes outweighed positive attitudes. During the two years the impact of the regulatory environment has been assessed in Europe, attitudes have been positive both years.

**Net Impact of the Regulatory Environment on Non-Cash Programs**



## Despite Issues Out of the Pandemic, Supply Chain Optimism Has Grown As Well

In addition to questions assessing the impact of the economy and regulatory environment, a new question was added asking about the impact of the supply chain in 2023. Given the supply chain challenges since the pandemic, the level of positivity regarding the supply chain's impact on non-cash reward programs is higher than might be expected. Over half (53%) believed the supply chain would have a positive impact on non-cash programs in 2023, compared to only 20% who believed it would have a negative impact. Europe was just as positive with an identical 53% believing the supply chain would have a positive impact, compared to only 16% who believed the supply chain impact would be negative.

An interesting finding, however, is that both North America and Europe show disparities between corporate respondents and third-party respondents, although in opposite directions. In North America, corporate respondents feel much more positively regarding the supply chain, while the exact opposite is true in Europe, with third-parties holding the more positive view. In all instances, however, the overall impact of the supply chain on non-cash incentives is seen as positive.

## Program Cancellations Are Still High, But Down From 2021

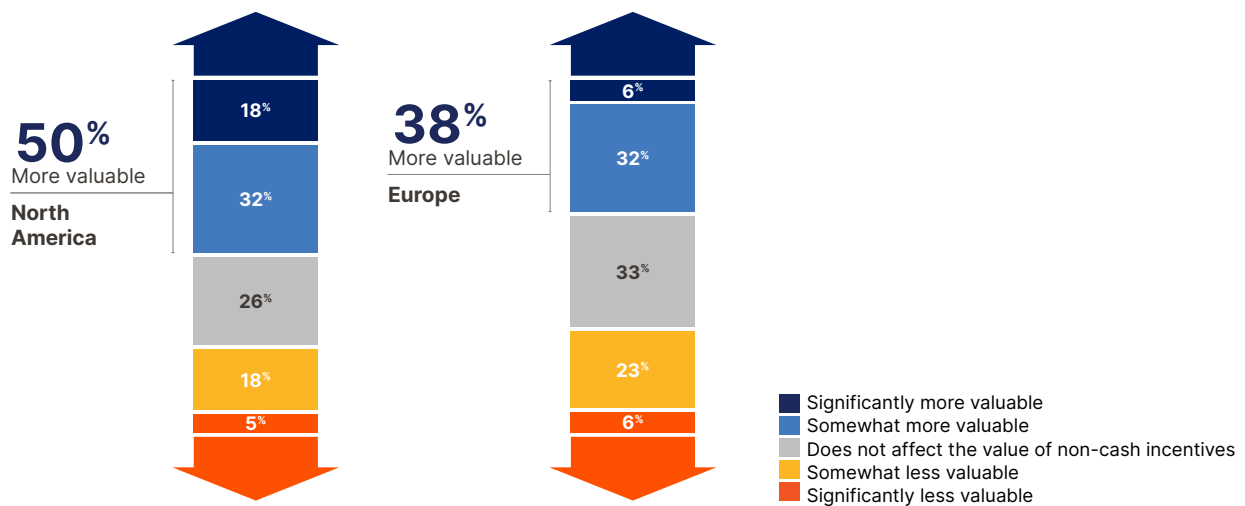
The percentage that cancelled gift card/merchandise programs declined in North America from 44% in 2021 to 37% in 2022. While this still represents a high number of cancellations, it represents improvement. In Europe, nearly half (48%) of the survey respondents reported discontinuation of at least one merchandise or gift card program. Although this seems discouraging, the percentage of cancellations declined significantly from 2021 when 66% reported a program cancellation. The decline in program cancellations was primarily driven by corporate respondents as reported cancellations among European third-parties remained extremely high (60%).

## More Believe That Inflation Has Helped the Value of Non-Cash Rewards

A new question was added to the study in 2022, asking about how inflation has impacted the value of non-cash incentives. While gift cards may not buy as much as they used to, receiving a non-cash incentive may be a particularly welcome gesture when household incomes are stretched, and discretionary spending is more limited.

In North America, 50% of respondents believe high inflation increases the value of non-cash incentives, double the percentage (23%) who believe inflation makes non-cash incentives less valuable. Europeans, however, are more divided about how inflation influences the value of non-cash rewards with 38% saying inflation makes them more valuable and 29% believing non-cash rewards are less valuable due to inflation. While this still represents a clear majority, there is less of a consensus than in North America.

**Impact of Inflation on the Value of Non-Cash Incentives**



*Do you believe inflation generally makes non-cash incentives such as gift cards/merchandise more/less valuable to recipients?*

## Considerations for Non-Cash Program Design

The company’s financial forecast is the most prominent consideration for the design and influence of North American incentive programs, listed as important to 86% of the respondents. Perception of internal stakeholders is a close second as it is important to 81%. Public perception and competitor programs also play a significant role in program design for 75% and 71%, respectively.

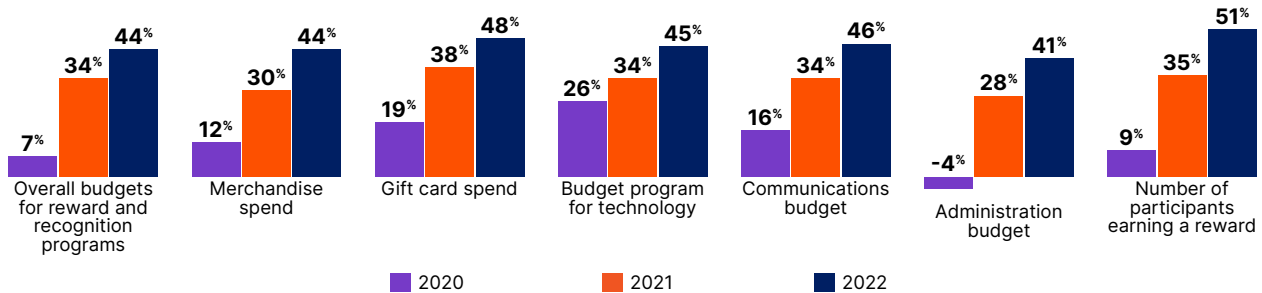
These considerations are equally important to Europeans with public perception being slightly more important, as 83% cite it as a consideration for program design, compared to 75% of North Americans.

When looking at trends in North America, the financial forecast has always been the top consideration for program design, but in tracking the importance of the other considerations all the way back to 2008, the trend charts show the other considerations have gained significant importance in the past decade, with all four being important to program design, rather than just the financial forecast.

## Outlook for Budgets is Positive

The North American data show that budgets are expected to show a net increase across the board, continuing a trend observed in 2021. The largest net increase is expected in the number of participants earning a reward where 61% indicate this budget will increase as opposed to only 10% who expect a decrease in budgeting for the number who will earn a reward.

**North American Anticipated Net Change in Budgets for 2023**

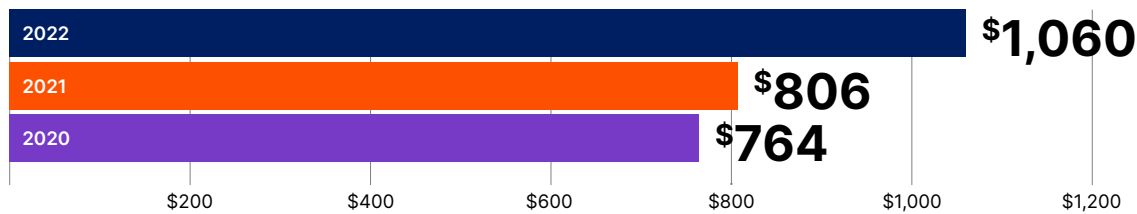


*In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?*

The study showed that the average per-person spend on North American non-cash rewards continues to rise. In 2022, the average per-person spend was reported to be \$1,060 compared to \$806 in 2021. Fifty-eight percent spent more than \$250 per person, compared to 51% the previous year. In Europe, the average amount spent per person on non-cash rewards in Europe is 650 Euros. Only 43% of European organizations spend more than 250 Euros.



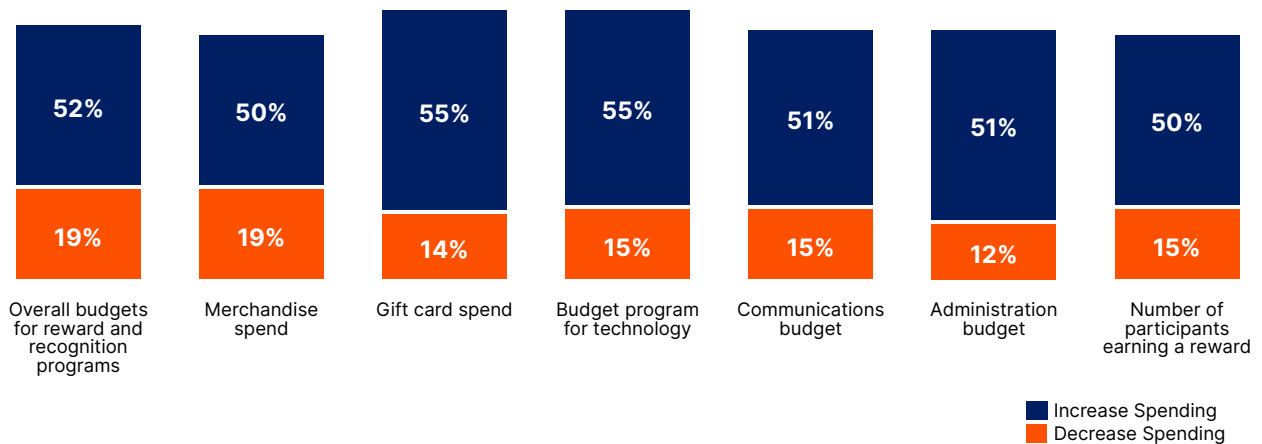
### North American Average Per Person Spend on Non-Cash Incentive Programs



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

While the overall outlook for non-cash rewards in Europe remains strong, it is not quite as strong as in North America. Over half (52%) anticipate an overall increase in their reward and recognition program budgets, while 19% anticipate a budget decrease. Gift card spend and technology budgets appear to have the largest anticipated net increases for 2023 among Europeans.

### European Planning Budget Increases vs. Decreases for 2023



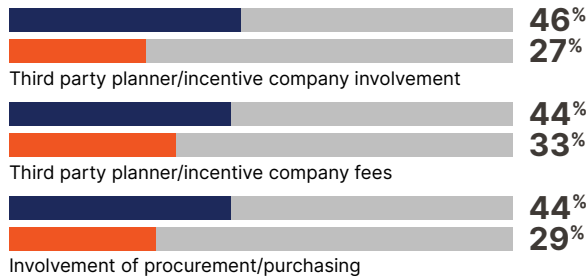
In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?

### Working With Others Will Continue to Grow in 2023

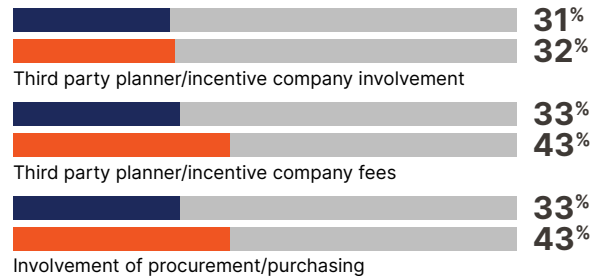
The North American outlook for 2023 suggests continued growth for the use of partners, with over half indicating they expect their use of partners to increase and less than 10% anticipating a decrease. The involvement of procurement, which increased last year, is expected to increase further. While Europeans anticipate the involvement of others will continue to grow in 2023, the growth trajectory is not anticipated to be as large as North America.

### Outlook for Working with Partners

#### North America Net Change



#### Europe Net Change



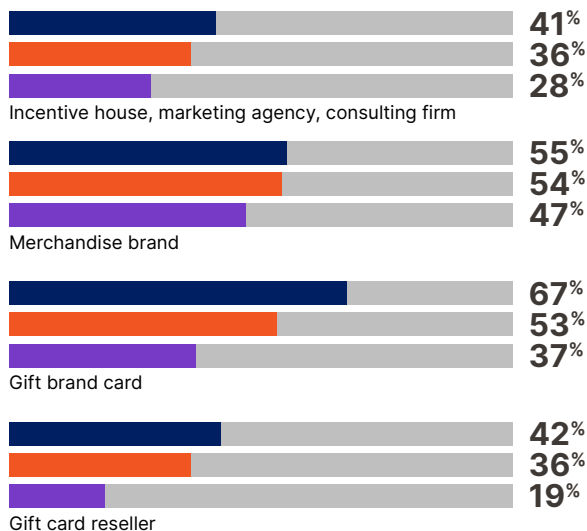
■ 2022  
■ 2021

*In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged? Net change = % Increase - % Decrease*

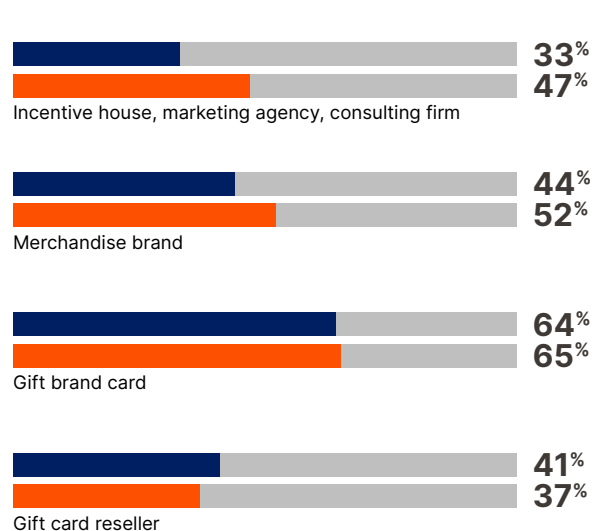
In North America, the data show continued growth in the direct working relationships with partners from 2020 to 2022, especially gift card brands. Compared to North America, Europeans are less likely to work with incentive houses, marketing agencies, and consulting firms and merchandise brands. Direct partnerships with incentive houses and merchandise brands have declined significantly in Europe since last year, although the percentages that have direct working relationships with partners is still high, particularly gift card brands at 64%.

### Direct Working Relationships with Partners

#### North America



#### Europe



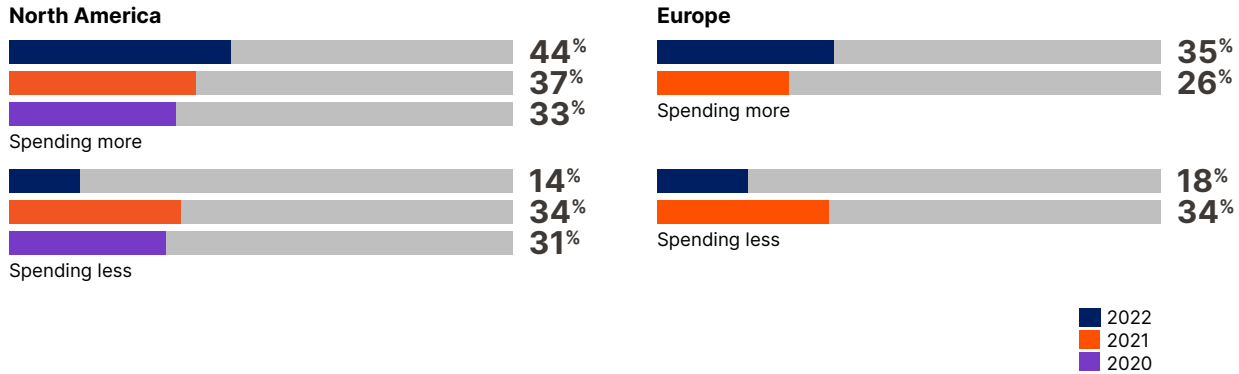
■ 2022  
■ 2021  
■ 2020

*For your non-cash reward and recognition programs, what partners do you work directly with?*

## Merchandise Gifts Continue to Grow

North American spend on merchandise has grown with 44% saying their merchandise spending increased in the past year compared to only 14% who said they spent less. The net increase has grown significantly since 2020 when many incentive programs switched from travel to merchandise and gift cards as rewards.

**Growth in Merchandise Spend**  
Percent Spending More/Less on Merchandise

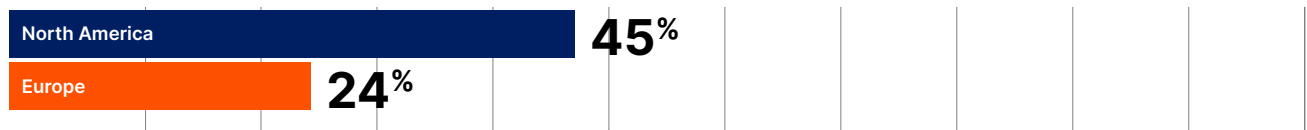


Has your investment in merchandise increased, decreased, or remained the same in the past year?

While not quite as strong as North America, merchandise spending in Europe also showed a net positive gain in 2022 compared to last year when it showed a slight net decline.

Relative to 2023 forecasts, both North American and European respondents anticipate a strong net increase in 2023. Fifty-eight percent (58%) of North Americans anticipate an increase in 2023 while only 13% predict a decrease. In Europe, 43% plan an increase in merchandise gift spend, while 18% plan a decrease, and 39% plan to spend the same amount.

### Merchandise Gifts: Net Increases for 2023



In the coming year, do your/your clients generally anticipate the use of merchandise rewards will increase, decrease, or remain unchanged? Net increase = % who plan to increase budget - % who plan to decrease budget



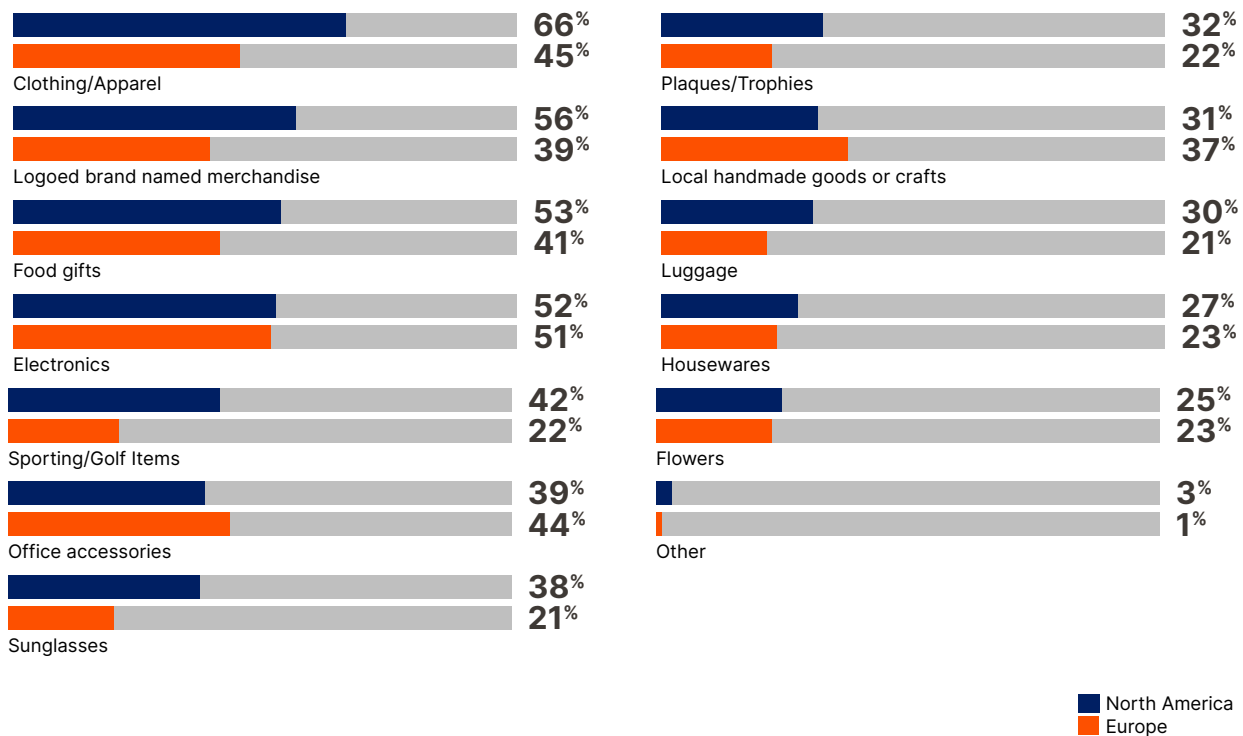
The average value of a North American merchandise reward is \$191, up from \$152 last year, and up from the previous three waves of the study which were \$160 each. The percentage of North Americans that spent over \$100 has increased from 53% to 64%. The European average merchandise value was 152 Euros. In the case of Europeans, only 49% spent more than an average value of 100+ Euros or more.

In North America, clothing apparel (66%), logoed brand merchandise (56%) and food gifts (53%) have the highest prevalence. The data are generally consistent with the 2021 study except for the following items, which showed the largest increase in prevalence:

1. Clothing (66% in 2022, up from 50% in 2021)
2. Sporting goods (42%, up from 29%)
3. Food gifts (53%, up from 43%)

In Europe, the most common merchandise gifts are electronics (51%), clothing (45%) and office accessories (44%). The prevalence of specific merchandise gifts did not shift much from last year. Exceptions are clothing gifts, which were more prevalent (38% in 2021 to 45% in 2022) and flowers which are less prevalent (31% down to 23%). Compared to North America, Europe has a much lower prevalence in merchandise gifts in most categories, but particularly in clothing, sporting goods, sunglasses, watches/jewelry, and logoed merchandise.

### Merchandise Prevalence in North America and Europe



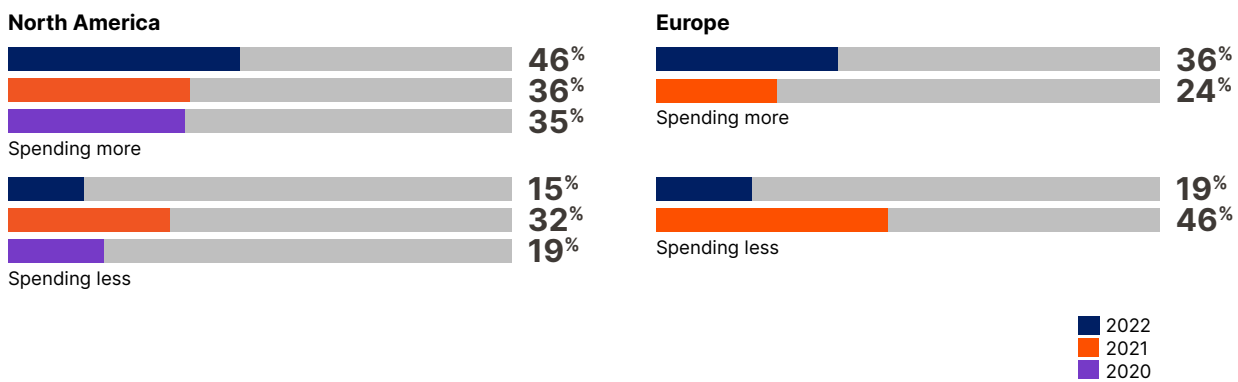
*What types of merchandise and gift cards are used within your/your clients' reward and recognition program(s)?*

## Gift Card Spending Looks Especially Strong For 2023

After some decline in gift card spending after the pandemic, gift card spending has rebounded significantly in the past year within North America. Forty-six percent of North American respondents reported spending more on gift cards, with only 15% spending less. This result is consistent with a separate study conducted in summer 2022 by the Incentive Federation that showed 47% increased gift card spending for employee incentives, with 11% spending less.

European respondents also indicated an increase in gift card spending in 2022, with 36% reporting increased gift card spending and 19% reporting decreased spending. This is a dramatic turnaround from 2021 when only 24% of Europeans increased gift card spending and 46% spent less on gift cards.

### Gift Card Spend in 2022



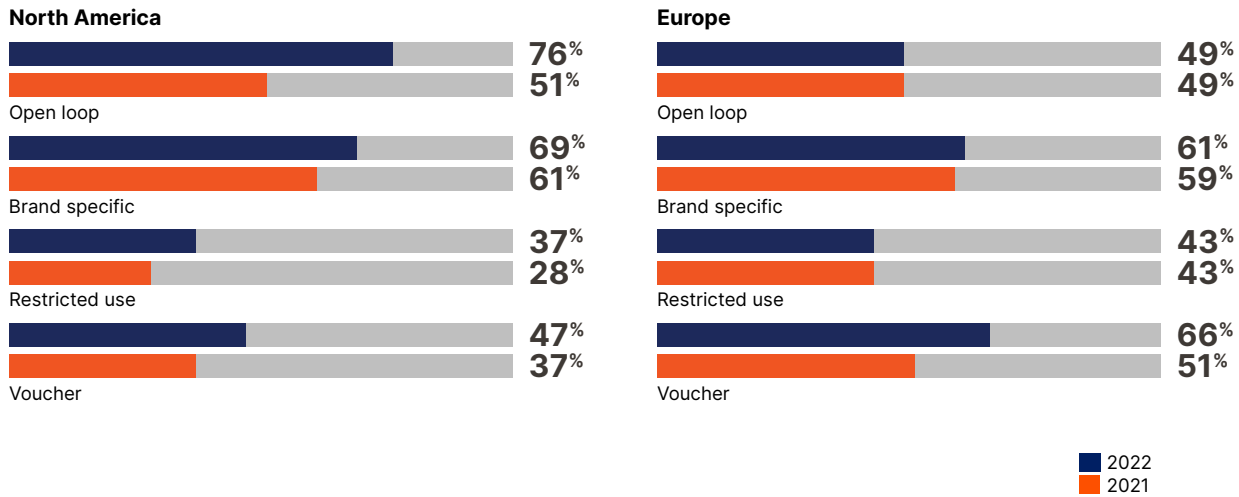
*Has your investment in gift cards decreased, increased, stayed the same in the past year?*

Looking ahead to 2023, North American respondents anticipate a continued net increase for gift cards with 62% anticipating an increase and only 12% predicting a decrease in gift card use. Europeans also plan to raise their gift card budgets in 2023, although the net increase will not be quite as large as in North America. Half (50%) of Europeans said they expected to increase their gift card spending, while 19% plan to decrease gift card spending.

In North America, the use of all categories of gift cards increased in 2022. Most notably, the use of open-loop gift cards, which had declined the past two years, increased significantly from 51% to 76%, surpassing pre-pandemic incidence.

For the most part, the types of gift cards Europeans used in 2022 did not differ significantly from 2021. The lone exception was gift card vouchers which increased from 51% to 66%. Europeans were much more likely to use gift card vouchers while North Americans were much more likely to use open-loop cards.

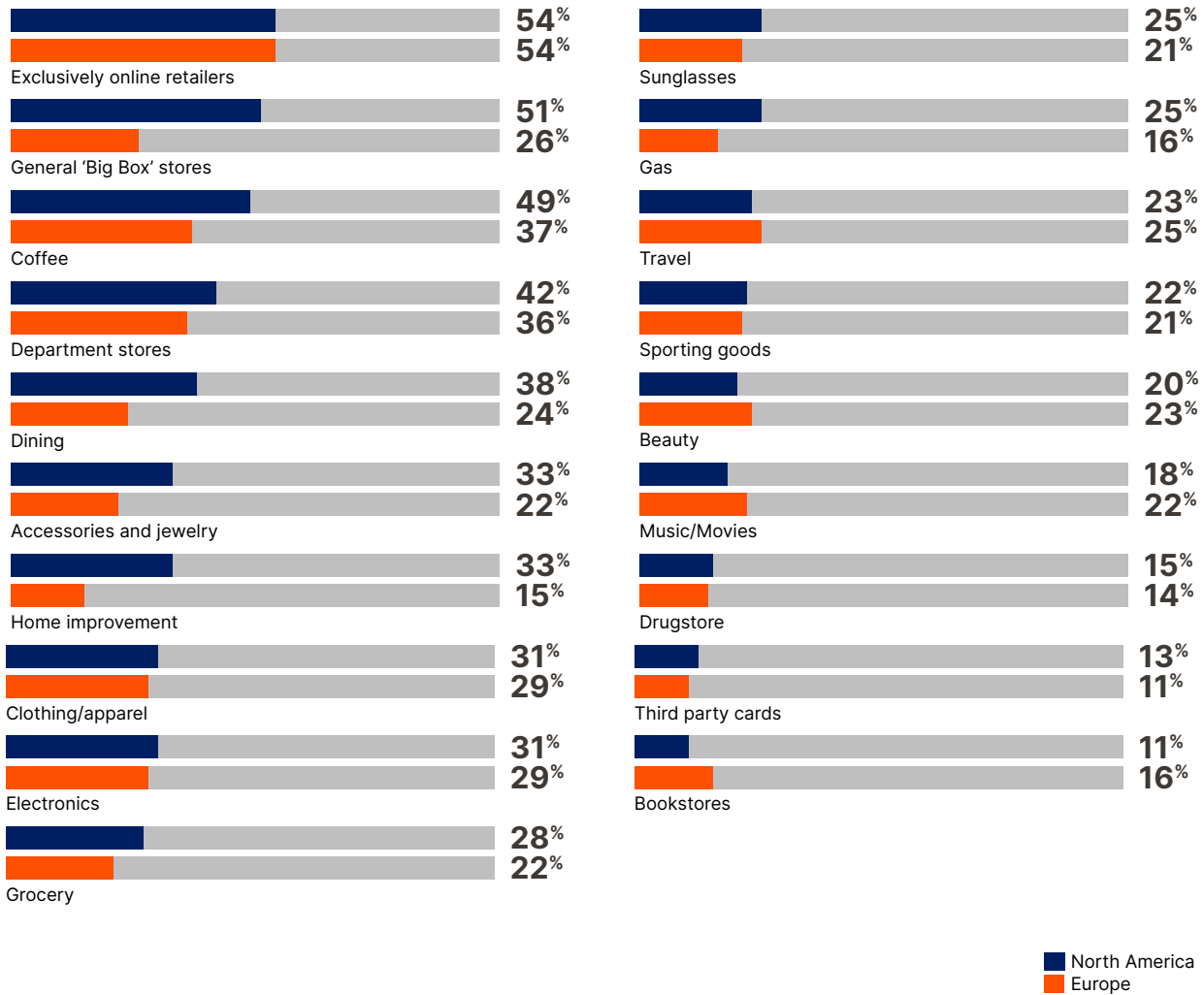
### Use of Gift Cards



*Has your investment in gift cards decreased, increased, stayed the same in the past year?*

Relative to specific gift card types, online retailers which showed a decline in 2021, rebounded from 39% to 54% in North America. ‘Big Box’ retail cards also jumped from 39% to 51%. Like North America, online retail cards showed the biggest growth in Europe, going from 45% to 54%. Coffee gift cards, and department cards also showed growth, ranking second and third as the most frequent gift card categories in Europe. North Americans were significantly more likely to utilize ‘Big Box’ retail cards, coffee, dining, gas, and home improvement cards compared to Europe.

**Brand Specific Merchant Types in North America and Europe**



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

The median gift card amount for both North Americans and Europeans is 100 (dollars/Euros). The percentage of those that average \$100 or less in gift cards is 55%, nearly identical to the 58% reported last year and similar to the European percentage of 58%.

Finally, one other trend the IRF has tracked over the past several years is the likelihood that someone will directly source their gift cards from a local retailer. In 2020, the percentage was 61%, while in the previous two years, the reported percentage was 69%. In 2022, local retail sourcing for gift cards in North America increased to 74%, up from 65% in 2021.

Seventy percent of Europeans respondents sourced their gift cards from retail. While this percentage is still high, it is down quite a bit from the 2021 study where 82% of Europeans sourced their own gift cards.

## Spending On Event Gifts Also Has Increased, With an Outlook for Further Increases in 2023

There has been a positive shift in spending on event gifts in 2022, both in North America and in Europe. In 2022, the spend increased to an average spend of \$263 and a median spend of \$100. This is up from 2021, when average spend was \$96 with a median spend of \$50 per attendee. In 2019, respondents reported spending an average of \$213 per attendee with a median spend of \$100. European spending per attendee was slightly less than North America at an average spend of 221 Euros and a median spend of 100 Euros.

The 2021 gift average spend for speakers declined significantly and was \$88 with a median spend of \$50. In 2022, the average speaker gift rebounded significantly to an average spend \$217, with a median spend of \$100. 2022 European spending on speaker gifts was almost identical to North America, with an average spend of 226 Euros and a median spend of 100 Euros.

In 2021, North Americans spent an average of \$125 on VIP gifts which was approximately half of what they reported spending in 2019 (\$258). In 2022, event gifts for North American VIPs increased in value from \$125 to \$291, with the median amount returning to \$150. Some Europeans inflated the average VIP spend to 563 Euros, although the median spend was slightly less than NA at 120 Euros.

While budgets increased for event gifts in 2022, the outlook for 2023 is even more positive. In North America, 62% plan to increase their event gift budgets, with only 12% planning a decrease. Large percentages of Europeans also plan to increase event gifting budgets in 2023. Fifty percent plan to increase budgets, while just 16% plan to decrease budgets.

Other findings regarding event gifting:

### North America

- Sponsorships increased as a priority for event gifts as 30% of North Americans rated it a first or second priority for selection.
- North American event gifting sponsorship has gone up in all categories, even surpassing pre-pandemic levels. The percentage who indicated sponsors offer discounts almost doubled since last year.
- The biggest declines in selection criteria were local relevance and being 'on topic' for the event.
- Event gifting is up for internal meetings (43% in 2021 up to 54% in 2022) and product launches (29% up to 36%).
- The types of gifts given at North American events did not change significantly from 2021 to 2022, with nationally recognized brand merchandise being the most prevalent. In 62% of instances, nationally recognized brand merchandise was given as an event gift.

- Online retailers continue to show very strong growth as a source of event gifts in North America. In 2019, corporate sales were easily the most common source of purchasing event gifts. In 2021, corporate sales fell behind online retailers as the primary purchase source and now, the gap has grown even larger (63% for online retailers to 34% corporate sales.)
- Distribution methods in North America did not change significantly since 2021, with 'swag bags' given at the registration desk serving as the most popular means of distributing event gifts.

## Europe

- Europeans place a much higher priority than North Americans on attendee preference, which is a priority that increased significantly since last year.
- In 2022, there is less importance on direction given by leadership and much greater importance on the gift being meaningful.
- The biggest difference between North America and Europe is that only 29% of Europeans use event gifts for incentive trips.
- The types of event gifts given by Europeans does not differ significantly from the gifts given by North Americans, except for nationally recognized brand merchandise, which Europeans are far less likely to give.
- European sponsorship of event gifts has risen significantly within the past year. Europeans have a higher percentage who pay sponsorship fees compared to North America (58% to 49%), while North Americans obtain a higher percentage of merchandise donations (33% to 25%).
- Europeans used corporate sales and local merchants less this year than in 2021.
- Online retailers (53%) and national retailers (43%) were the leading sources for European event gifts.
- Compared to North Americans, Europeans are significantly less likely to place gifts in attendee rooms or incorporate gifts into activities. The percentage of Europeans who put gifts in rooms declined significantly since last year (46% in 2021 vs. 35% in 2022).



## Summary

The largest headline to come out of the *Industry Outlook for 2023* is that those that work directly with non-cash incentive programs are very optimistic about the outlook for 2023. Budgets for merchandise, gift cards, and event gifts all increased in 2022, and are expected to rise even further in 2023.

There is strong economic optimism heading into 2023 regardless of headwinds in the form of high fuel prices, inflation, the war in Ukraine, and repercussions from COVID-19. There is also a high degree of optimism regarding the regulatory environment and the supply chain, at previously unobserved levels.

The study provides a bullish view of the non-cash incentive industry for both those who work on the corporate side and the third-party side. With stubborn inflation, the majority see the value of non-cash incentives as being even greater than when the cost of living was lower. Given companies' desire to attract and retain talent, non-cash incentive programs are seen as a valuable tool in the efforts to maximize human resource availability and output, both in North America and Europe.

**The IRF thanks the Incentive Marketing Association for supporting this report by distributing the survey.**

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Event Gifting was supported by

