



INCENTIVE TRAVEL PROGRAMS – EXPECTATIONS & CHALLENGES

The incentive travel industry declared itself open for business in 2022, following a two-year period of interruption and uncertainty. Restarting an entire industry is not like flipping a switch, especially when the challenge faced – in this case bringing people together in groups – is itself the central goal of the industry. The first year back was a great success but did not resemble the years prior to the pandemic. Planners kept their groups closer to home, redesigned their programs to accommodate new safety and health considerations, and accepted that hotels and venues were making concessions of their own in terms of availability and service levels. Building on the insights from the 2022 study, *Expectations and Reality In The Hospitality Industry*, the Incentive Research Foundation has collected updated perspectives of key industry groups to understand the current baseline and future outlook for incentive travel expectations.

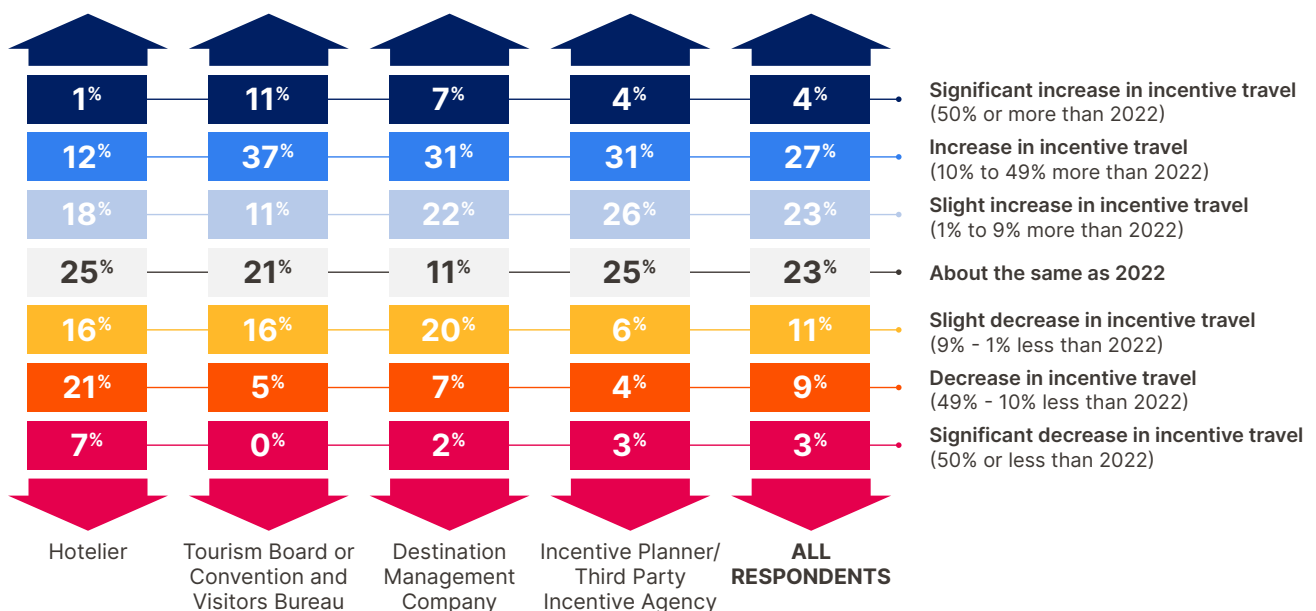
Methodology

This study was conducted from April 30 to June 9, 2023. The first wave of this research was completed in 2022; that questionnaire was revised to account for current market conditions and used as the foundation for the 2023 survey. The questionnaire was approximately 10 minutes in length with questions varying based on the respondent type. A total of 372 respondents completed the survey. The four stakeholder groups were Hoteliers (n=92), Tourism Bureau/ Convention & Visitors Bureaus (n=19), Destination Management Companies (n=45), and Incentive Planners / Third Party Agency (n=216).

Executive Summary

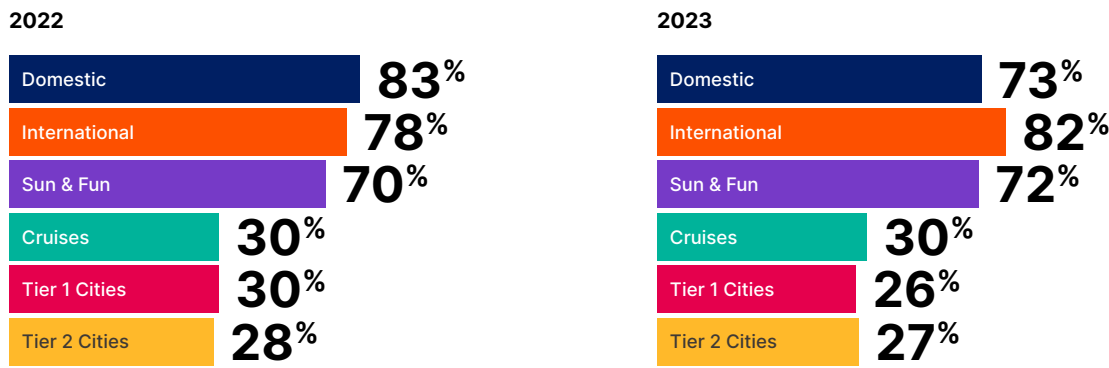
The outlook for incentive travel remains strong, with most respondents expecting travel to increase or hold steady through 2024. About a third of CVBs, tourism bureaus, DMCs, and planners surveyed expect incentive travel to increase between 10% and 49% through 2024. Hoteliers are the most measured in their expectations, perhaps due to increased competition as planners expand their destination consideration to a broader geography based on the successful operation of their recent programs.

Figure 1: Incentive Travel Expected to Increase or Hold Steady Through 2024



The focus for incentive travel in the coming 18 months has shifted slightly in one area. Planners’ consideration of domestic programs has declined ten percentage points, from 83% in 2022 to 73% in the current survey. This may reflect the higher levels of confidence to begin incorporating international travel into programs based on the successes of 2022.

Figure 2: Changes in Incentive Destination Types

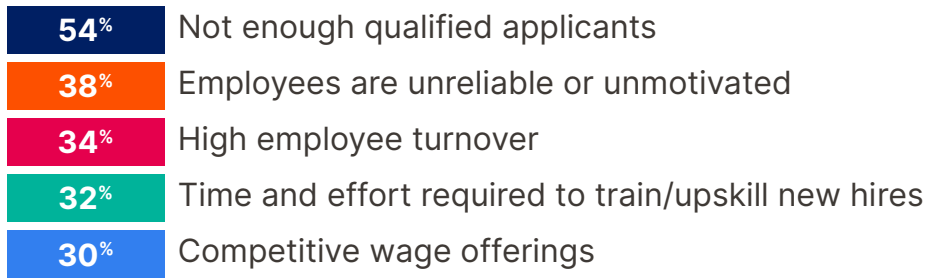


Even with the successful comeback of group incentive travel, industry professionals are contending with ongoing challenges posed by the broader market. Planners, hoteliers, and destination professionals are aligned in their concerns about the availability of qualified staff to provide needed service levels, as well as the impact of inflation on the cost of executing programs. Industry professionals must work together to reduce the impact to service levels, program costs, and service or amenity availability.

Staffing

Maintaining a qualified workforce was a shared challenge in 2022, with terms like “Quiet Quitting” and “The Great Resignation” widely used to describe the collective difficulty recruiting and retaining talent. On the front lines of service delivery, the industry continues to be challenged by talent management. Nearly 60% of hoteliers say finding and hiring qualified staff is a top concern, and 48% indicate retaining existing staff is a challenge. More than a third are working to build up staffing levels comparable to 2019 levels, and less than 20% of hoteliers feel they are easily able to maintain necessary staffing levels. The top obstacle hoteliers are facing as they work to achieve desired staffing levels is a lack of qualified candidates.

Figure 3: Staffing Challenges for Hoteliers



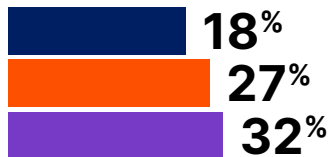
Are you encountering any specific challenges or obstacles in managing your staffing levels? (Hoteliers)

These concerns are not limited to hoteliers. Tourism bureaus place staffing shortages in the top three challenges for their destination. And DMCs feel similarly, as hiring qualified staff and retaining existing employees are two of their top three challenges. DMCs are feeling the financial impact of these labor challenges, with 56% indicating staffing is one of the top drivers of cost increases within their market.

Even those organizations that have been able to maintain desired staffing levels have found it challenging. Tourism bureaus and CVBs seem to be the most successful managing their staffing levels, but even then only 32% of those organizations felt it was easy to do so.

Figure 4: Maintaining Staffing Levels Is Challenging

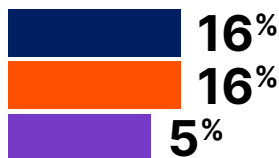
We have been easily able to maintain desired staffing levels



It's been challenging, but we have managed to maintain desired staffing levels



We have not been able to maintain desired staffing levels



Legend:
■ Hotelier
■ Destination Management Company
■ Tourism Board or Convention and Visitors Bureau

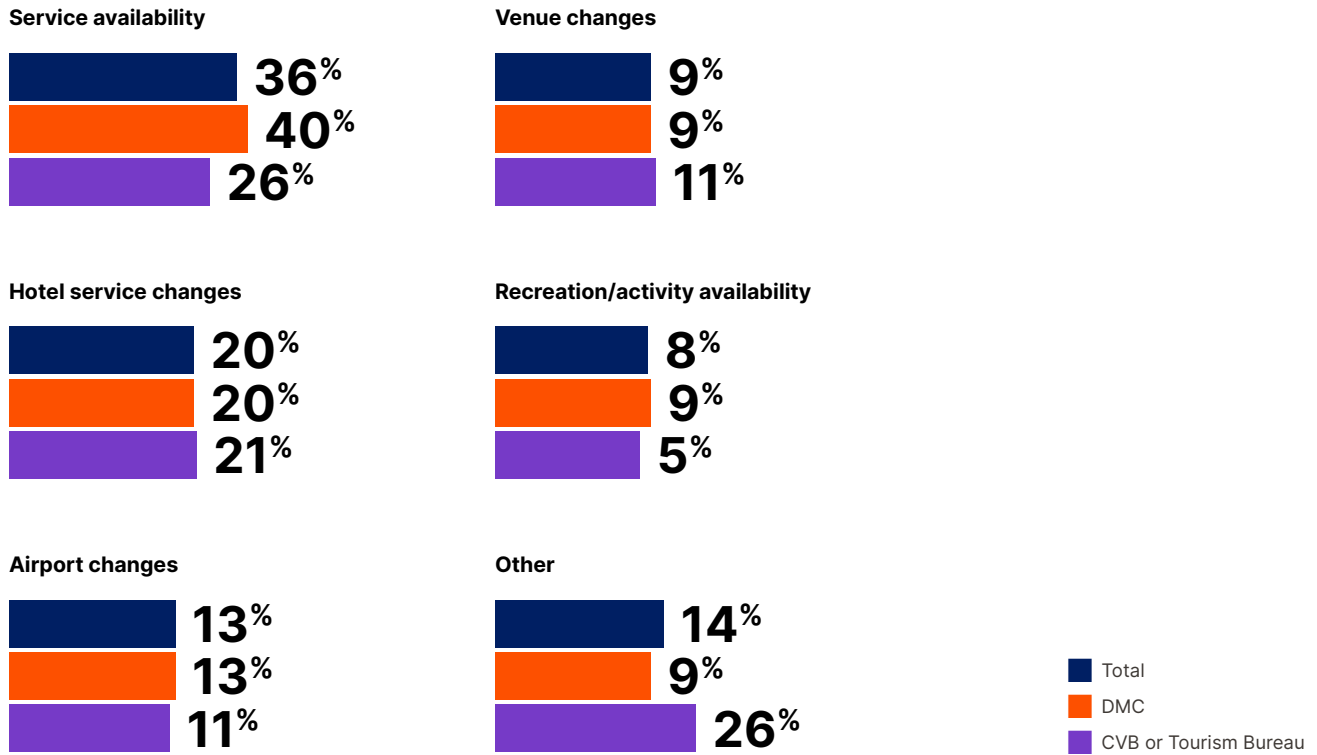
Incentive travel planners are experiencing the impacts firsthand, and 96% indicate that staffing and service levels are a top concern in destination selection. Planners direct these concerns both to the destination and to the hotels. When working with tourism bureaus, CVBs, and DMCs, 87% of planners are concerned with local staffing shortages. (This is second only to concerns about general expense increases - largely an outcome of these staffing challenges.) With hotels, 82% of planners are concerned whether the hotel is able to maintain sufficient levels of qualified staff.

Service Delivery

Planners’ concerns about staffing levels correspond closely with caution about service levels. The focus on staffing and service delivery is amplified from 2022, when the industry was easing out of the pandemic and the collective ethos was “we’re in it together.” In 2023, expectations are high, and planners are watching to see if destinations and hotels are truly ready to deliver pre-pandemic service levels. Despite 96% of hoteliers indicating their property is fully operational, 75% of planners rank a hotel’s ability to maintain and deliver expected service levels as a top concern.

Of the 81% of planners who have conducted a site visit in the past 6 months, only 68% of those site inspections have been up to their organization’s standards – consistent with our 2022 findings. Tourism bureaus, CVBs, and DMCs seem to appreciate these concerns. When asked what challenges event organizers should anticipate over the next 18 months, 36% indicate overall service availability and 20% point specifically to hotel service changes.

Figure 5: Anticipated Challenges for Event Planners

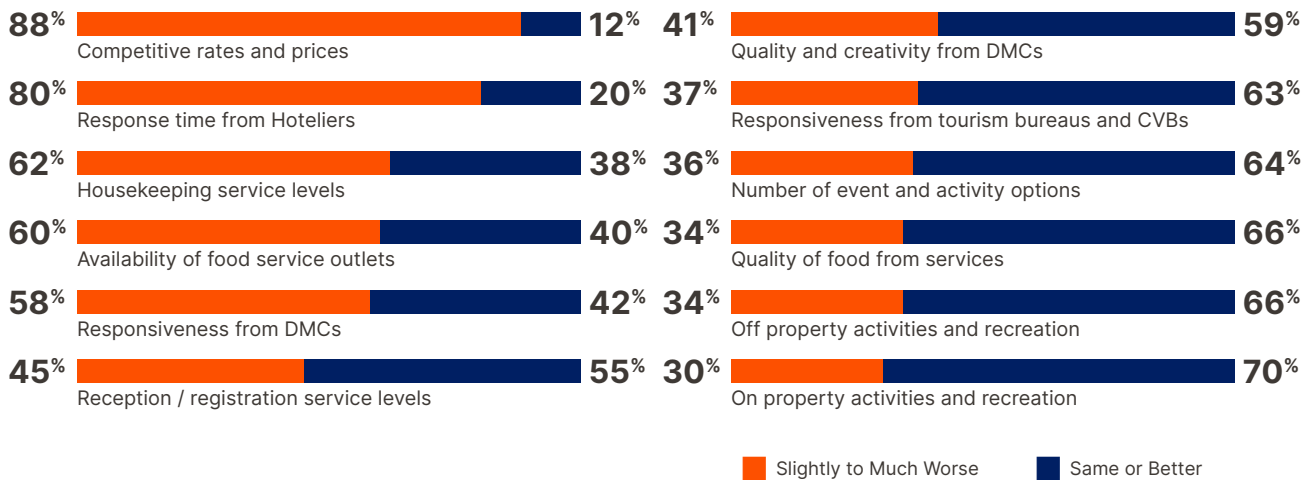


What challenges should event planners anticipate over the next 18 months?

Planner Perspective

The survey’s planner respondents’ perspectives are borne from experience – 92% of responding planners have operated a group incentive travel program in the past 18 months. Among these planners, 88% indicate that competitive rates and prices remain worse than pre-pandemic rates, and 80% indicate that hotel responsiveness is worse than 2019 levels. Among areas that have recovered or surpassed 2019 programs are activities and recreation (both on and off property), quality of food, event and activity options, and responsiveness from tourism bureaus and CVBs.

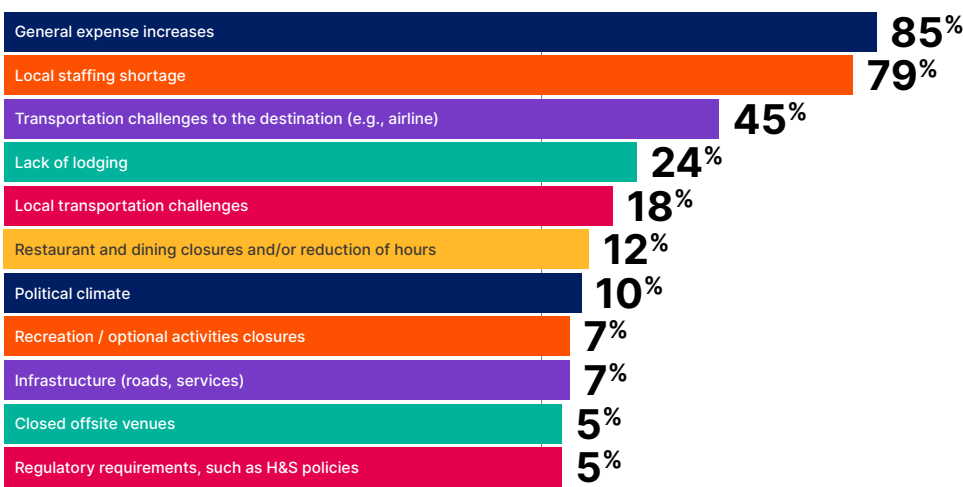
Figure 6: Incentive Travel Planner Concerns – Overall



For programs you’ve operated in the last 18 months, how have the following attributes compared to 2019 incentive programs?

When partnering with tourism bureaus, CVBs, and DMCs, planners are primarily concerned with general expense increases and local staffing shortages. Higher costs coupled with real concerns about the overall experience delivery puts all parties in a challenging position, especially as the pandemic becomes more of a shared memory than a current constraint.

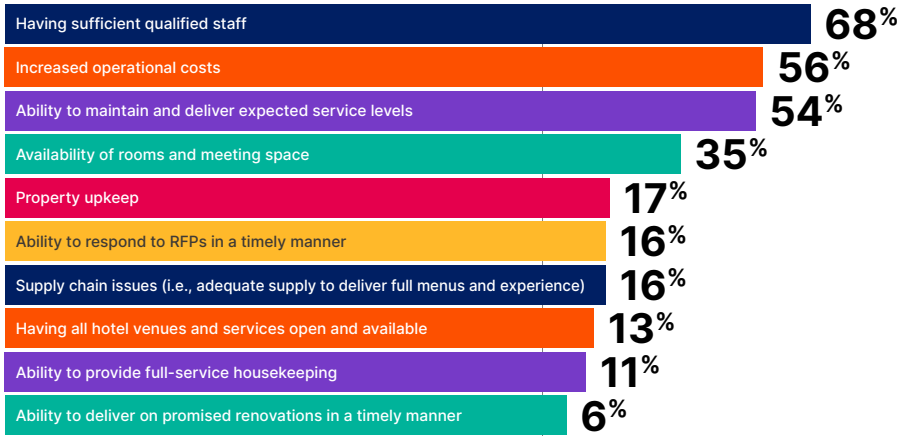
Figure 7: Incentive Travel Planner Concerns - Tourism Bureaus, CVBs, and DMCs



Please rank your biggest concern about incentive travel in the next 18 months as it relates to tourism bureaus, CVBs, and DMCs.

On similar themes to the destination organizations, planners report concerns about the ability of hoteliers to provide adequate staffing to deliver service levels, as well as the expectation of increased operational costs and the impact those factors might have on their programs.

Figure 8: Incentive Travel Planner Concerns - Hotels

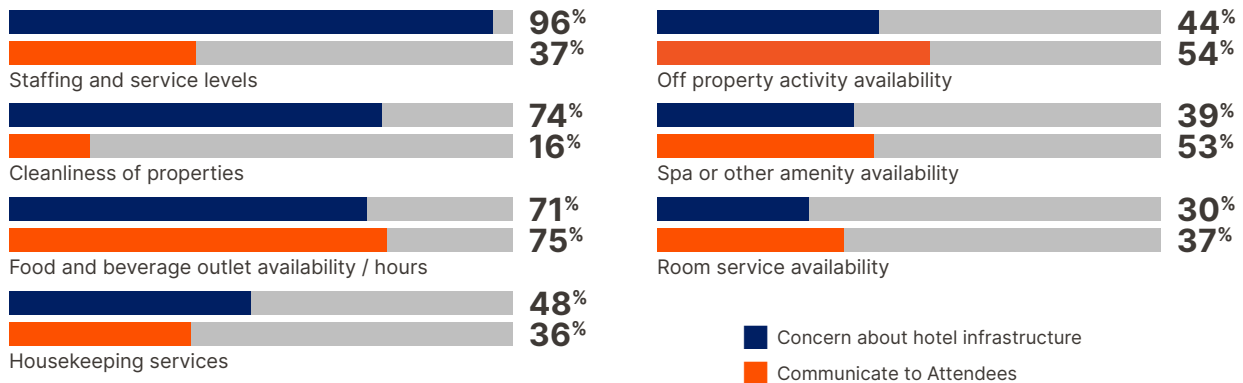


Please rank your concern with the following hotel-related issues

When considering a destination for their program, planners are intensely focused on the hotel's staffing and service levels – this is by far the top consideration. Additional important factors include the overall cleanliness of properties (more so than housekeeping services), and F&B outlets available to program participants.

When communicating with participants in advance of a program, the focus changes to address more specific activities and interests. Most planners are providing participants with specific information regarding the F&B availability along with details about property amenities and off-property activities.

Figure 9: Planners' Level of Concern Compared to Level of Communication to Attendees



Hotel Perspective

Nearly half of the hotelier respondents represent a resort property. Perspectives of large chains, multi-property brands, boutique hotels, and conference hotels are also represented. A majority of the hotelier respondents consider incentive group travel to be important to their hotel's profitability, and 88% are responsible for booking incentive travel programs.

As noted earlier, 96% of hotelier respondents indicate their property is fully operational. For the majority (85%) of those hoteliers, that means they have returned to levels of service, amenity, and facility availability comparable to 2019 levels. Another 13% feel they have achieved fully-operational status after making permanent adjustments to operational levels compared to 2019.

One key aspect of service delivery that has changed significantly over the past several years is housekeeping. Daily housekeeping is no longer an automatic expectation – only 72% of hoteliers currently provide housekeeping daily. Another 5% plan to return to daily housekeeping in the next 18 months, meaning 20% will continue to operate at a reduced level of service compared to 2019. This may not be expected or understood by planners, and transparency will be important as the parties work together to design a program.

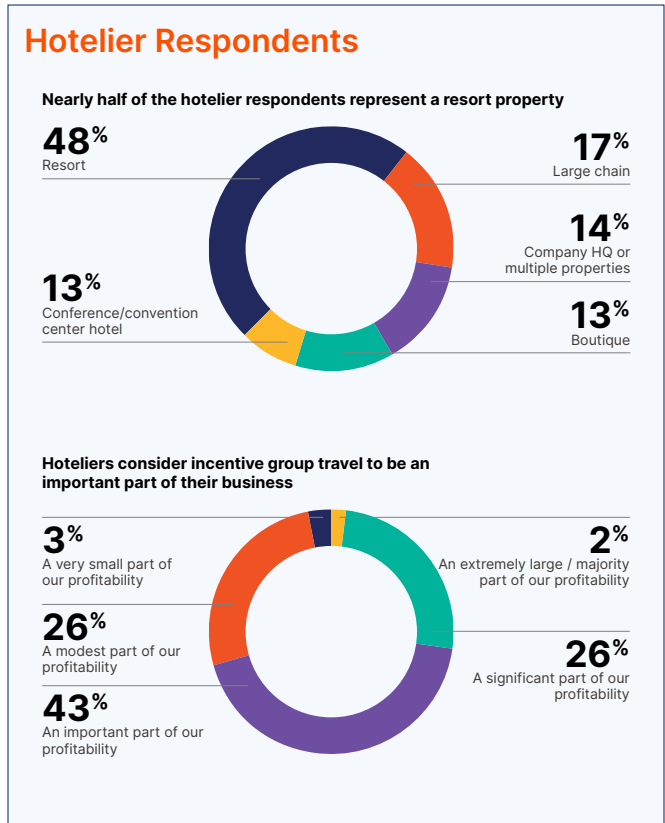
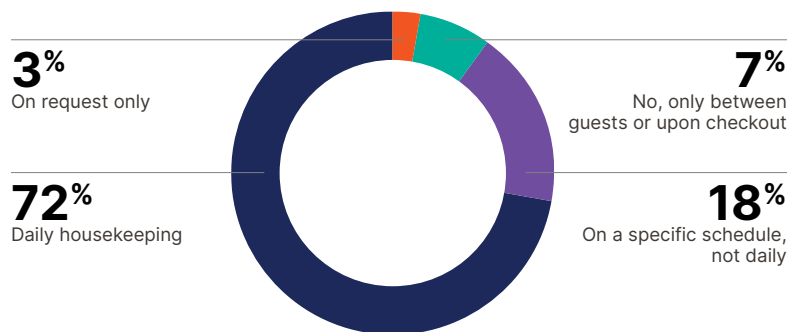


Figure 11: Housekeeping Services



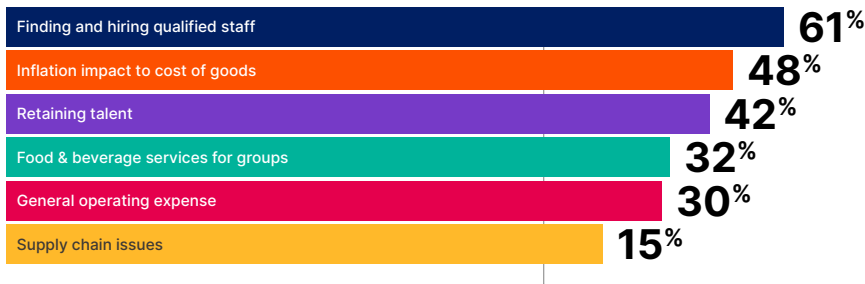
Which of the below best describes your housekeeping services?

These operational changes do not extend to food and beverage services; the vast majority of hotels have returned food and beverage operations to pre-pandemic levels.

91% of hoteliers indicated all of their food and beverage services are currently open with operating hours comparable to 2019 (inclusive of room service)

While working to regain ground lost during 2020 and 2021, hoteliers are facing numerous concerns about operating costs, primarily related to staffing and inflation. Recruiting qualified staff is by far the top concern, followed by inflation impact to cost of goods and retaining existing talent. About one third indicate group food and beverage service and general operating expense management are priorities. A smaller set of hoteliers continue to struggle with supply chain issues.

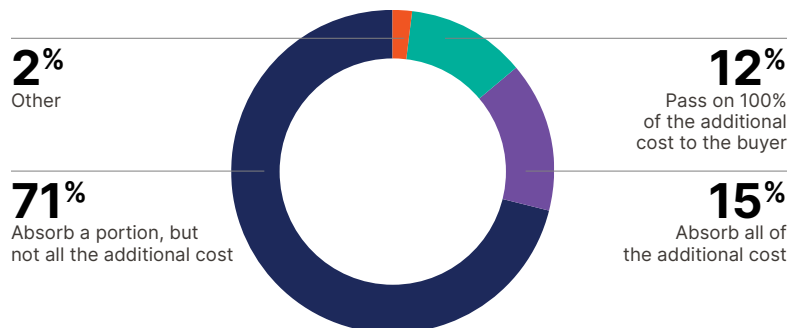
Figure 12: Operational Concerns of Hoteliers



What do you see as your property's biggest cost (operational) concerns in the next 18 months?

With the continued pressure to provide competitive pricing in the face of higher costs due to inflation, hoteliers have to decide how much of that cost differential to pass on to clients. The most common strategy, used by seven in ten hoteliers, is to find a way to meet in the middle by passing a portion, but not all of the additional cost, on to planners.

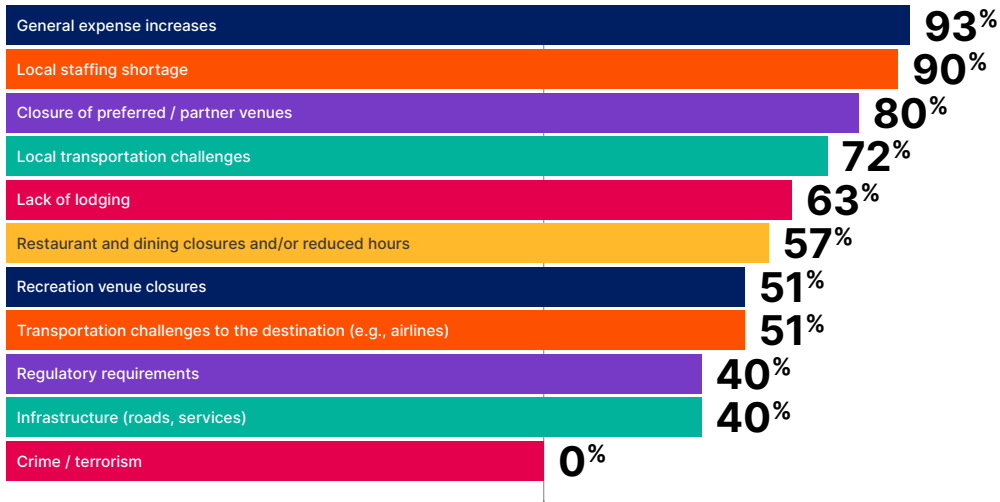
Figure 13: How Hoteliers Handle Additional Costs



Tourism Bureaus, CVBs, and DMCs

As with the other stakeholder groups, destination management organizations are feeling the most pressure from increasing costs and ongoing staffing shortages. They are also working to solve for the closure of preferred venues and transportation challenges within their local market.

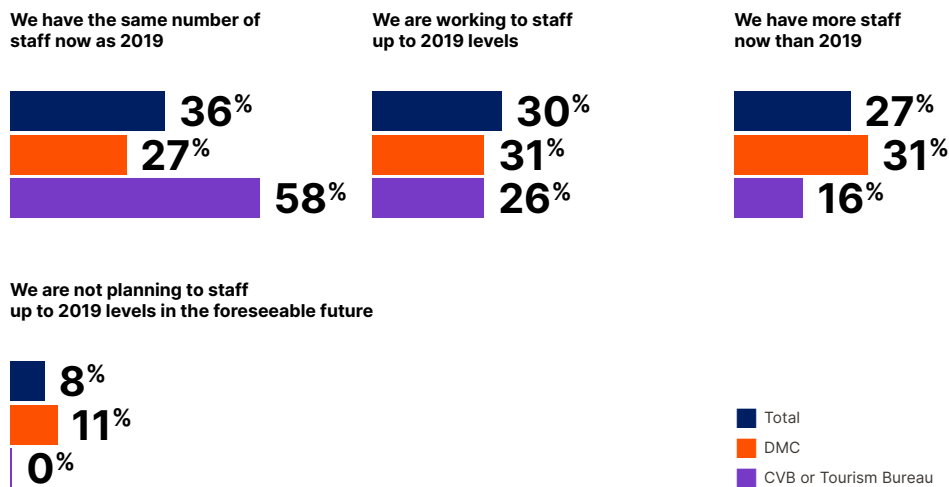
Figure 14: Challenges for DMCs, CVBs, and Tourism Bureaus



Please rank the biggest challenges your organization currently faces as it relates to group incentive travel. (Tourism Bureau & CVB)

As they are not on the front line of service delivery, tourism bureaus and CVBs aren't experiencing staffing challenges in the same way service providers are. Their concerns exist more at a market or destination level, and they are likely monitoring and raising concerns about the impact of staffing shortages on the ability to attract desirable programs.

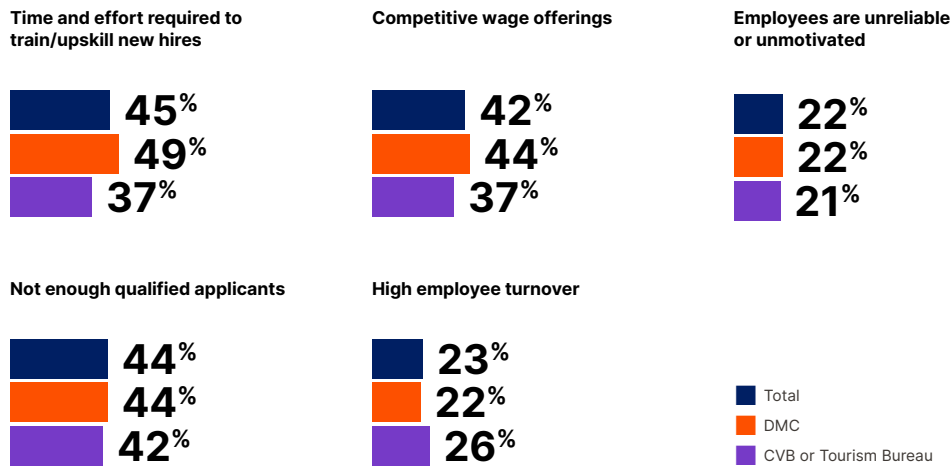
Figure 15: Staffing Challenges for DMCs, CVBs, and Tourism Bureaus



The primary challenges in maintaining a service-ready workforce are similar for both groups of DMOs. The lack of qualified candidates, elevated wage expectations, and the resources required

to get new hires to a level of proficiency combine to create a considerable challenge for tourism bureaus, CVBs, and DMCs.

Figure 16: Staffing Challenges (DMC, CVB, Tourism Bureau)



Destination Management Company Perspective

As a front-line service provider, DMCs have hands-on experience with the challenges of the current market when executing a group incentive travel program. They indicate there are two primary drivers of cost increases – transportation and staff. These factors also ranked as top concerns with tourism bureaus and CVBs, confirming these are broad market level challenges rather than execution issues for specific DMCs.

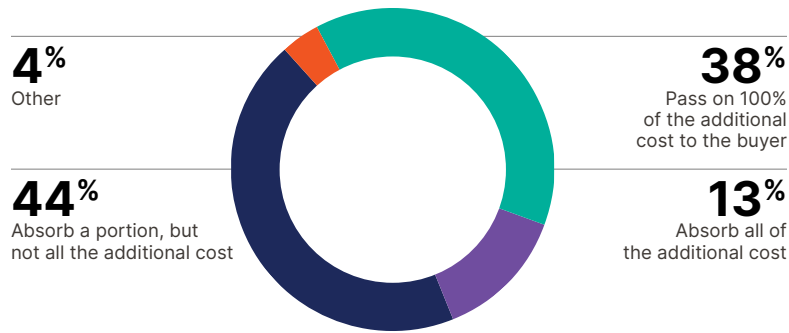
Figure 17: Cost Increases for DMCs



Where are you seeing the biggest increases in your cost of delivering services?

DMCs are addressing these cost increases by passing along some or all of the cost to the buyer. This is distinct from hoteliers, 71% of whom are absorbing some portion of the cost increase. More than a third of DMCs are passing along all of the additional cost to the buyer, compared to 12% of hoteliers. As the “general contractor” for an array of local services, many of which are likely small businesses compared to the hotels, DMCs are definitely feeling the pressure of broader market conditions.

Figure 18: How DMCs Handle Additional Costs



When asked how they are balancing the pressure to deliver 2019-level amenities and services considering the higher operational costs they’re currently facing, several themes emerged:

- **Communication & transparency** – working with clients to manage expectations and understand priorities
- **Creative program design** – provide attendees more free time and reduce the number of activities, and prioritize high-impact, high-value program elements
- **Contract strategy** – encourage clients to lock in programs earlier to avoid anticipated cost increases
- **Negotiations** – stronger focus on securing good contracts on behalf of the client
- **Selectivity** – being more purposeful in working with clients who see the value of the services and understand the current market conditions

When considering their biggest challenges for incentive travel programs over the coming 18 months, DMCs are focused on solving for destination infrastructure readiness, growth initiatives to drive volume, positioning effectively against competing destinations, and recruiting qualified staff.

Figure 19: DMC Challenges



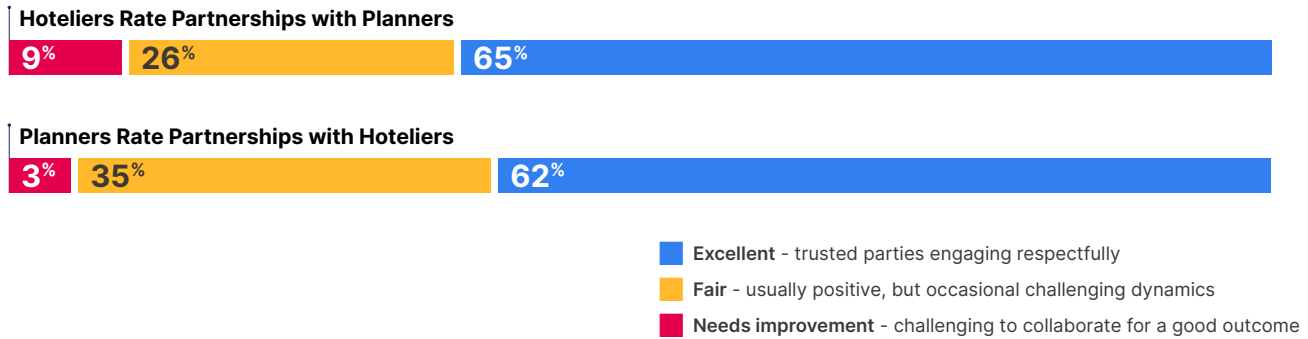
Please rank your biggest challenges in incentive travel in the next 18 months.

The Partnership Experience

Hoteliers & Incentive Planners

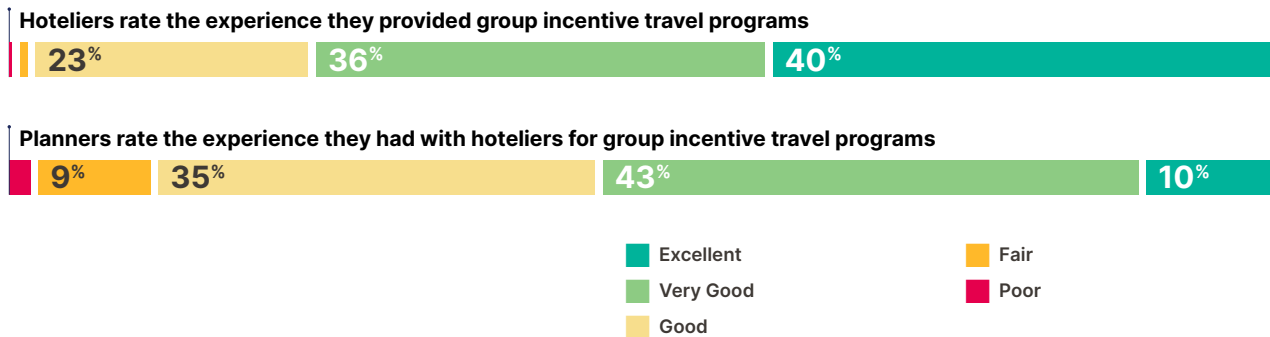
To provide some additional insight on the alignment within the industry, each stakeholder group was asked to assess the working relationship with their counterpart group. Hoteliers and planners seem well-aligned, with both groups rating the partnership as excellent.

Figure 20: The Hotelier - Incentive Planner Partnership



Perspectives diverge, however, when the two groups are asked to rate the recent incentive travel experience hoteliers have provided. Hoteliers are pleased with the experience they have provided, and 40% give a rating of “excellent.” Planners are much less likely to rate the experience as excellent, instead opting for very good or good ratings.

Figure 21: The Hotelier - Incentive Planner Experience



DMCs & Incentive Planners

Again, when assessing the general quality of the partnership, DMCs and planners agree that their relationships are excellent. When asked more specifically about the experience delivered on recent incentive programs, DMCs are more likely to provide an “excellent” rating than planners are.

Figure 22: The DMC - Incentive Planner Partnership

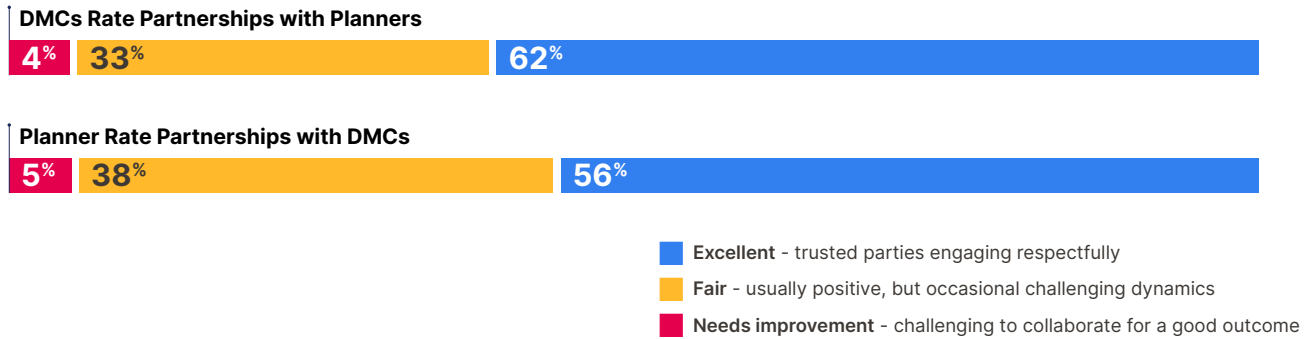
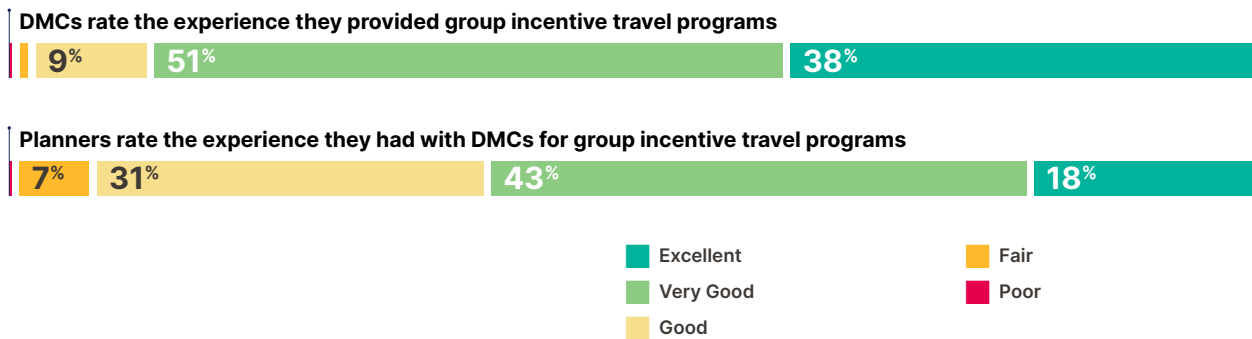


Figure 23: The DMC - Incentive Planner Experience



Summary

Incentive travel demand seems to have largely recovered to 2019 levels – perhaps even beyond. Industry stakeholders face ongoing challenges as the effects of inflation and a tight labor market continue to reverberate through the supplier segments. There is agreement across planners, hotels, DMCs, and CVBs that staffing shortages may continue to challenge service availability in the coming months, requiring creative approaches to program design. This is particularly difficult in the context of increasing operational costs; clients expect increasing program costs to correlate to a higher level of service delivery. All parties agree that transparency, communication, and partnership are essential to effectively navigating the design and delivery of today’s incentive travel programs.

<p>Hotel: Incentive Travel a Priority</p> <ul style="list-style-type: none"> Eager to partner; communication is key Working diligently to maintain staffing levels needed for service delivery Likely absorbing a portion of operational cost increases <p>““”</p> <p>We are highly motivated and ready to offer creative options and experiences.</p>	<p>Planner Perspective</p> <ul style="list-style-type: none"> Agree that partnerships are strong Concerned about impact of staffing on service levels; no impact to attendee experience As costs increase, so do the expectations for service <p>““”</p> <p>Clients understand that costs are increasing but expect a level of service that aligns with that cost. We must all partner with one another to provide the experiences that our clients and their attendees expect.</p>
<p>CVB: Demand vs. Capacity</p> <ul style="list-style-type: none"> Destinations open but high demand impacts availability Top concerns are local staffing challenges and venue closings <p>““”</p> <p>We are ready to support incentives. Involve us early!</p>	<p>Planner Perspective</p> <ul style="list-style-type: none"> Top concerns are expense increases and staffing shortages Incentive travel demand is high; planners considering more destinations than the last few years <p>““”</p> <p>We are always interested in any developments, both positive and negative, that will have an impact on our programs. We need transparency and honesty.</p>
<p>DMC: Partnership & Creativity</p> <ul style="list-style-type: none"> Many still operating at lower staff levels than 2019 See local transportation and staff costs and key challenges <p>““”</p> <p>We are only as good as our partnerships - we do best when our clients are proactive, and lock in the services of their preferred DMC early so that we can help design the experience to our clients’ priorities. Only then can we offer targeted alternatives and solutions when problems arise.</p>	<p>Planner Perspective</p> <ul style="list-style-type: none"> Pressured to deliver at higher levels, especially with cost increases Concerned about local staffing levels and ability to execute <p>““”</p> <p>We need more creativity within our responses. Everyone is asking for “WOW” and unique experiences. We need to be able to lean on our partners, especially when we are giving clear direction.</p>

Thank you to our Research Advocacy Partner
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