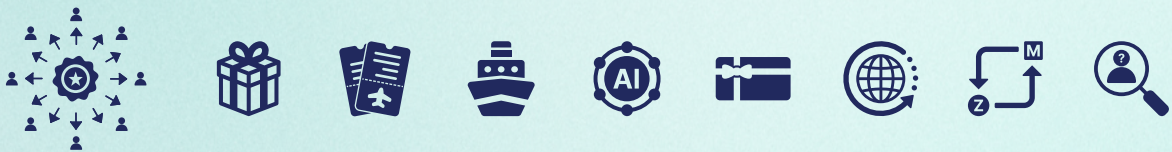


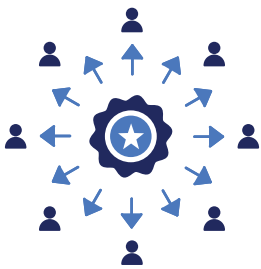
IRF 2025 Trends Report



IRF 2025 TRENDS REPORT

As we enter 2025, incentive professionals are focused on budgets, cost reductions, and efficiencies, after inflation and rising costs caused a great deal of uncertainty in 2024. Incentive programs and rewards will also see significant shifts in response to evolving corporate priorities, changing audience preferences, and the need for something new. What remains consistent is that incentives continue to be an effective tool that businesses are using to gain competitive advantage. According to *Driving Growth Through Total Rewards*, human resources and sales executives see a very clear role for non-cash reward and recognition, primarily in impacting employee performance and driving overall business outcomes.

Expansion of Rewards



Increasing emphasis on broader reach, culture building, and recognition signal an expansion of rewards. While traditional qualification-based incentive programs remain popular, programs are being expanded to reward people who are not on the sales team. Merchandise, gift cards, and experiential rewards are used for small to moderate sized rewards. Many companies are making incentive travel more inclusive by adding tiered programs. They are broadening their definition of “top performer” and inviting employees who indirectly contribute to achieving sales goals.

The use of points is also increasing, both in established programs as well as in industries that had not used them previously. Company-wide events, company swag, and peer-to-peer recognition are among the components that come together to build company culture and boost employee engagement. Built on the philosophy that the whole is greater than the value of its parts, a portfolio of incentive, reward, and recognition programs is a strategic driver of company culture and employee loyalty.

Shifts in Merchandise Spend



As incentive professionals work with flat or decreased budgets, merchandise is an area where spend can be adjusted, and planners are finding creative ways to continue to deliver these rewards. In the past year, North American programs have seen a decline in spend for both merchandise and on-site gifting. The *2024 Incentive Travel Index* reported that decreasing spending on event gifting was among the top cost-cutting measures planned for 2025. Despite reduced budgets, the variety of price points and availability of new types of merchandise make this a flexible, frequently used reward type.

While bigger-ticket items like electronics were used less, according to the *Industry Outlook for 2025*, use of merchandise rewards in the \$50 to \$100 price range has increased in North America. More moderate-value items, including logo'd brand-name merchandise and clothing/apparel are selected more frequently. Included in just under 70% of non-cash rewards programs, logo'd brand-name merchandise has increased in popularity. Company branded swag is in high demand and reinforces company culture, although employees often note they would prefer it as a perk rather than spend points on it.

In contrast, Europe is experiencing an upward trend in merchandise spending, with average per-instance expenditures rising from €174 in 2023 to €232 in 2024, according to *Industry Outlook for 2025*. Merchandise budgets – along with technology budgets – are most likely to experience increases in 2025. Europe's reward programs are shifting toward more premium offerings, with food gifts, electronics, and clothing and apparel being used most frequently.

Desire for New Locations for Incentive Travel



In order to dazzle leadership, create a lasting impression on attendees, and constantly raise the bar, incentive travel planners will continue the trend of seeking out new destinations in 2025. According to the *2024 Incentive Travel Index*, 70% of buyers are looking for something new and considering destinations they have not used before. New destinations became a priority coming out of the pandemic, as people enthusiastically resumed travel, but wanted more space, open air, and fewer crowds. Now the desire for previously unvisited destinations reflects a renewed sense of adventure, the desire for bucket-list destinations and experiences, and access to travel experiences attendees would not be able to get on their own.

Creating memorable travel experiences that deepen employee loyalty is key to the strategic importance of incentive travel. As reported in the *2024 Incentive Travel Index*, the top reasons for incentive travel are retaining talented employees (81%), attracting and retaining new generations of qualifiers and leaders (70%), and travel becoming more valued as a reward (68%). Incentive professionals are reconsidering all elements to create memory making moments and generate the most motivation to qualify for the incentive. The continuing trend to travel to new destinations reflects a broader trend of designing with more novelty, including activities, merchandise, and experiences.

Cruise Appeals to Attendees and Planners Alike

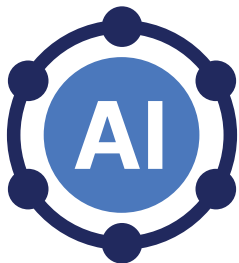


Taking incentive trips on cruises has growing appeal for a variety of reasons. Depending on the location and route, cruising meets the priority of aligning with attendee preferences, experiencing new destinations, or managing budgets. Attendees are excited about cruising, with 75% indicating a cruise experience is desirable regardless of the destination, according to the *2024 Attendee Preferences for Incentive Travel*.

Program owners see the appeal as well, especially with the addition of more high-end luxury cruise options. River and Mediterranean cruises are being used more, with incentive planners citing multiple ports of entry as the top reason, as reported in the *2024 Incentive Travel Index*. Cruises continue to rank highly as places many incentive planners would consider as new destinations.

Budget is also an important consideration, especially when choosing Caribbean cruises. As part of the broader trend of increased interest in all-inclusive resorts and hotels, the inclusive options offered by cruises give program owners more control and certainty when planning and implementing cruise incentives. Some program owners acknowledge that cruise can be a harder sell because of the space limitations and length of program needed for the more exciting cruises, as well as the advanced booking timeframe required for charters.

Increased Use – and Understanding – of AI



In an environment where incentives professionals are eager to show program value, and where many are challenged by flat budgets and constrained resources, AI can help increase efficiency, identify opportunities, and spark ideas that help incentive professionals maximize the opportunities non-cash incentives present for organizations.

Incentive professionals will continue to increase their understanding of both practical applications and the potential uses of artificial intelligence in 2025. While the use of AI among incentive industry professionals is still in its relatively early stages, use of AI and interest in the technology will continue to steadily increase. Nearly two-thirds of respondents believe generative AI will soon be used (or already is being used) effectively within incentive travel, according to the *2024 Incentive Travel Index*. Incentive professionals continue to explore the most appropriate and effective uses for this tool, how reliable AI is, and best practices around data privacy and security.

According to the *2024 Incentive Travel Index*, incentive professionals are currently using AI most frequently to prepare program materials, as well as in planning, forecasting, and budgeting. Incentive professionals using AI are quick to note that it is important to fact check and confirm all information generated by AI. The industry is seeing increasing use of AI to achieve operational efficiency, such as creating seating charts, survey analysis, cross referencing, and quality control processes. AI is also being used to speed up processes, such as evaluating rules structures earlier in the program for quick course correction in case rules are driving unintended results.

Incentive professionals caution that it is crucial to balance these benefits with governance, security, and privacy. An increasing number of companies are managing some of the privacy concerns by employing a private version of AI. Private generative AI can deliver increased accuracy, helps protect copyrighted materials, and blocks data sharing from public models, creating a more secure and controlled environment.

Gift Cards Fit into Fluctuating Budgets



In *Driving Growth Through Total Rewards*, we reported that the most frequently used rewards by top performing companies are incentive travel and gift cards. Due to their flexibility in price points and ability to offer choices, gift cards are another way to scale programs according to budget and participant preferences.

Program owners continue to use gift cards as incentives and rewards when budgets are tight. This past year, the average per-person gift card spend in North America decreased to \$142, 7% less than in 2023. This decline reflects a shift towards smaller denominations, with \$50 and \$100 gift cards now accounting for half of all distributions, according to the *Industry Outlook for 2025*. The most frequently used gift card types provide a wide range of options for shopping at major retailers like Amazon and big box stores, as well as for enjoying experiences, such as coffee and dining.

Gift card use is scaling up in Europe, with gift cards valued €200 or more now making up 56% of distributions, a significant increase from 38% in 2023. Gift card vouchers remain popular, and use of brand-specific cards has increased. These higher-value gift cards are most frequently from exclusively-online retailers, department stores, and general “big box” stores.

Sustainability Considered a Long-Run Challenge



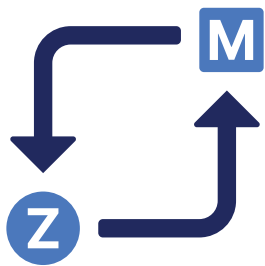
Incentive professionals acknowledge the increasing importance of sustainability measures but are somewhat stalled in taking significant measures for change. The *2024 Incentive Travel Index* reported that incentive professionals view sustainability and climate change as long-run challenges, with just 13% considering sustainability a short-run challenge, and 23% considering it a long-run challenge.

As discussed in *The State of International Incentives*, organizations certainly want to talk about sustainability, but cost is typically the driver in the end. Our focus group of European and Canadian buyers noted they felt compelled to talk about sustainability with clients and to source sustainable properties, but for now see it as more talk than action. A buyer reinforced the notion that sustainability is a long-run concern saying they believe sustainability is coming as the driving factor when comparing venues due to the 2030 and 2050 goals more corporations are adopting as well as European Union legislation.

Europe continues to put more emphasis on sustainability concerns than North America does. For incentive travel programs, the European focus on sustainability (19% short-run, 33% long-run) is more than double that of North American respondents (8% short-run, 16% long-run). The *Industry Outlook for 2025* reported that Europe has seen a shift towards sustainability in event gifting, with European incentive professionals indicating budget considerations (33%) remain the top priority, closely followed by a focus on sustainability (32%).

Sustainability is a big challenge, but this increased awareness is influencing incremental changes. From using refillable water bottles to reducing travel distances, incentive professionals are implementing measures large and small to make progress. An industry-wide effort is being led by the Events Industry Council, who offer the Sustainable Event Professional Certificate (SEPC) program for events professionals interested in accelerating sustainability and social impact in their organizations and global business events. Incentive professionals continue to increase their understanding of how to communicate the business value of sustainable practices, including improving brand reputation and competitive advantage.

Gen Z and Millennials are Changing the Game



The workforce is getting younger, and we are seeing major shifts in values, behaviors, priorities, and preferences among these newer employees. Incentive professionals are looking at new approaches to motivate and engage emerging talent. While early career workers tend to “job hop,” retention continues to be a top goal of incentive and recognition programs. Younger workers place a high value on frequent, authentic recognition, so programs that utilize points, gift cards, and spiffs meet the need for frequent feedback and rewards.

As reported in *2024 Attendee Preferences for Incentive Travel*, the motivational appeal of group travel continues to be extremely high, especially among Gen Z and Millennials, and signals the continued relevance of incentive travel programs. But meeting the needs of these younger audiences will likely impact all aspects of programs. According to the *2024 Incentive Travel Index*, 67% of incentives professionals agree that younger generations of qualifiers will cause a powerful “retool” of incentive travel.

Expect to hear edgier music, attend shorter keynotes, and experience more visually stunning Instagrammable moments on incentive travel programs in 2025. Incentive travel professionals are rethinking every element of program design, including destination selection, registration, food and beverage, session length, gifting, and more. For example, the desire for shorter, accessible communication has led to more video messaging, microevents, and on-demand content.

Gen Z and Millennials' desire for choice is being met with increased flexibility in activity, agenda, and dining options on incentive travel programs. There is more emphasis on wellness, well-being, and inclusiveness. Artisanal mocktails meet the growing demand for alcohol-free drink options, and planners are working with chefs to ensure that attendees with dietary restrictions are being served cuisine that is as delicious and special as the rest of the menu.

Industry Talent Concerns



While one of the most compelling reasons for corporations to use incentives and rewards is to recruit and retain talent, workforce challenges also persist in our own industry. In a 2023 IRF survey, more than 75% of incentives professionals indicated they were experiencing staffing shortages. While that has shifted over the past 24 months, the *2024 Incentive Travel Index* reported that attracting and retaining talent is both a top short- and long-term concern in the incentives industry.

From purchasing to registration support to running programs, the incentives industry provides a host of career opportunities for people with a wide range of interests and skills. A career focused on motivating people to do their best work has broad appeal. For many job seekers, the travel component is a major draw.

The current route to a career in incentives is wide and varied and not necessarily through hospitality or business study paths. Many incentives professionals come to the industry via humanities. Lack of awareness of the industry and career opportunities is a major barrier to recruiting people entering the workforce as incentives content is not commonly found in colleges and universities.

To promote awareness of the incentives industry as a career path and business tool for the next generation, IRF and SITE have launched the *Future of Incentives Workforce* initiative. Industry professionals interested in serving as guest lecturers can download 60- and 80-minute curriculum modules that can be presented in college and university classrooms. These engaging curriculums provide an overview of motivational theory, explore how incentives are used to improve performance, discuss how to determine the impact of incentive programs, and introduce new career opportunities.

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