



PULSE SURVEY

The Incentive Industry Trends 2011

October 2010

Background and Survey Purpose

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Beginning in August 2008 it was decided that an appropriate topic for the 2008 Pulse Survey would be an incentive industry trends outlook for 2009 and with the continued economic conditions, also an appropriate topic for the trends outlook for 2011.

Given that the Incentive Research Foundation (IRF) is charged with advancing the science of incentives, it surveyed industry professionals to obtain their opinions about the more salient trends affecting the industry during 2011.

To this end, the IRF asked these professionals questions on trends with regard to incentive travel programs, merchandise non-cash programs, and budget changes forecast for 2011.

In addition to the current topic on industry trends, the IRF tracks core issues of continuing interest to the industry:

- The extent to which company financial forecasts influence incentive programs;
- The effect of competitor reactions on company incentive programs; and
- Sensitivity to others' perceptions of company incentive programs.

Research Methods

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Invitations to participate in this online survey were sent to 2187 incentive providers, suppliers to the industry and corporate incentive travel buyers.

The 130 survey participants can be categorized as follows...

- Provider (e.g., incentive company) (60.0%)
- Corporate incentive travel buyer (16.2%)
- Supplier, (e.g., hotelier) (11.5%)
- Other (12.3%)
- ...and represents, after undeliverable emails and out of office adjustments are made, a response rate of 7%

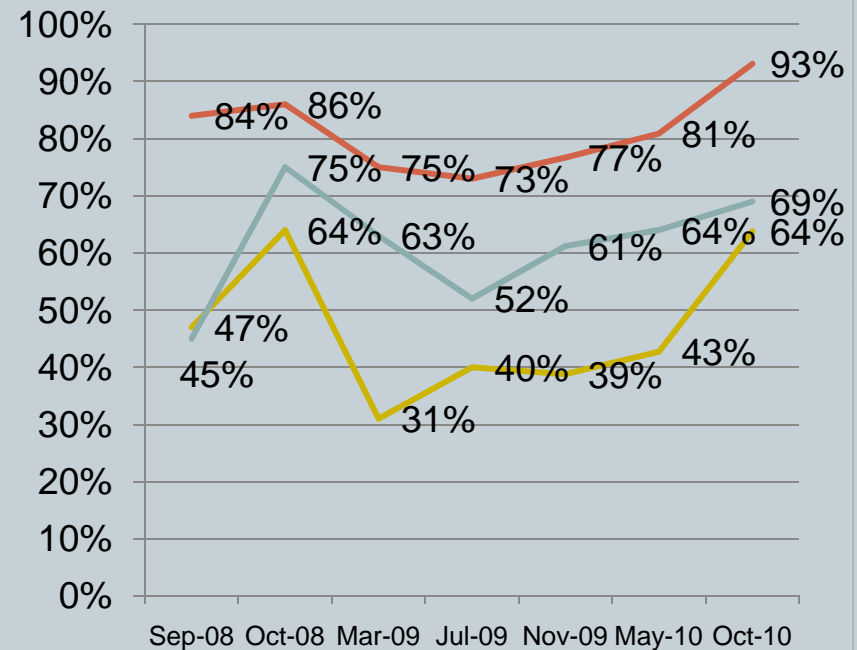
Data collection was conducted September 13th through September 30th, 2010.

Highlights: Core Issues

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Findings indicate that the trends have stabilized and are on an positive upward trend for each of the core issues since July 2009. However, the trends remain lower than reported in 2008.

The positive trend with respect to the perceptions of program extravagance is “rebounding” at a faster pace when compared with the other two core issues.



- The company financial forecast influences the design and implementation of incentive programs
- Competitors' reactions to programs impact the products and services included in company incentive programs
- Sensitive to perceptions of program extravagance to the extent that it would impact the type of company program awards and inclusions

Current Topic

Industry Trends for 2011

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Incentive Travel Programs
Merchandise Non-Cash Programs
ROI – Budget Considerations

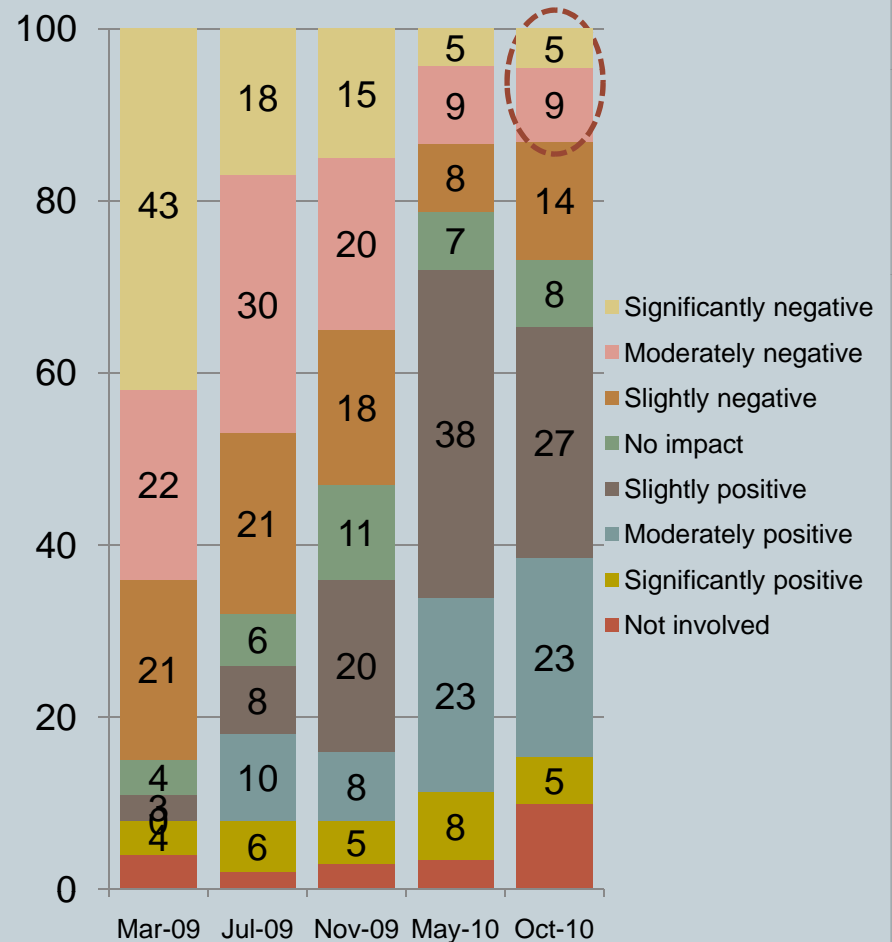
Perceived Impact of the Economy on Ability to Plan and Implement Incentive Travel Programs

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Respondents in the current survey (October 2010) continue to be more optimistic and consider the economy as having a “more” positive impact on their ability to plan and implement incentive travel programs when compared with the 2009 results.

- Significantly negative 5% October 2010 vs. 5% May 2010
- All negative impacts 27% May 2010 vs. 28% October 2010.

In your opinion in 2009, what impact will the economy have on your ability to plan and implement travel incentive programs?
(N=130)



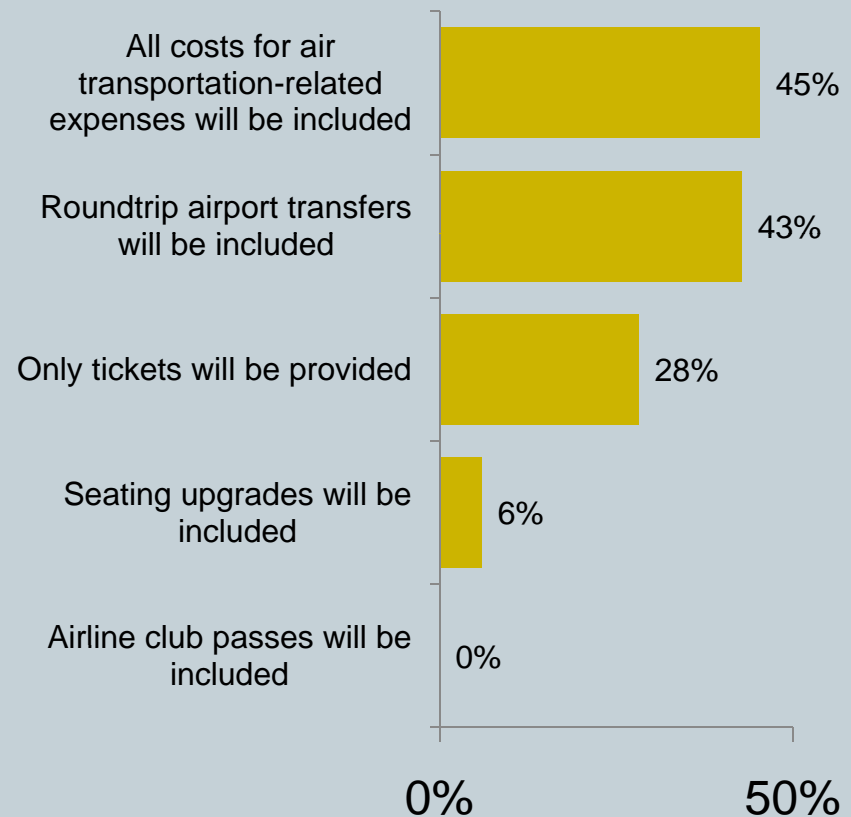
Techniques Used In 2011 To Enhance The Air Transportation Portion Of Incentive Travel Programs, What Component?

7

A majority (45%, 43%) of respondents anticipate that All costs for air transportation-related expenses and Roundtrip airports transfers will be included and component of Incentive Travel Programs in 2011.

- 28% indicate that Only tickets will be provided.
- 6% indicate seating upgrades will be included.
- 0% indicate that airline club passes will be included.

With regard to the air transportation portion of incentive travel programs, what techniques will be used in 2011 to enhance this component? Check all that apply. (n=117)



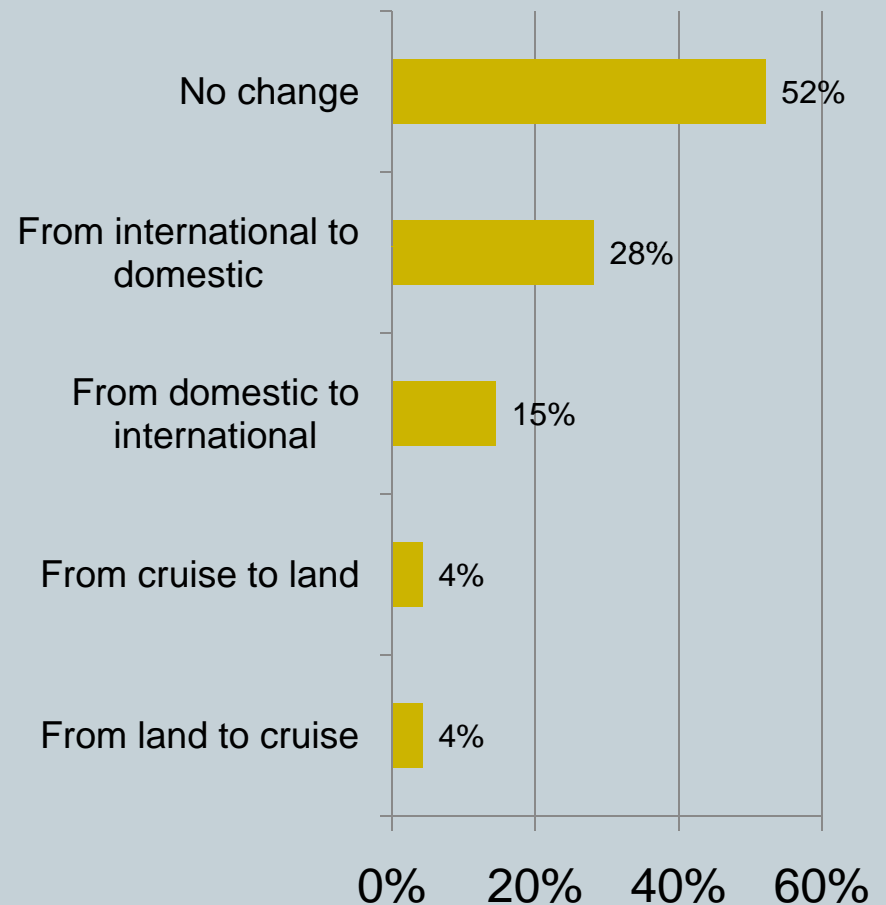
Anticipated Changes In 2011 With Regards To Incentive Travel Program Destinations

8

The majority (52%) of respondents anticipate no change with respect to the program destinations for Incentive Travel Programs in 2011.

- 28% indicate that they anticipate a change from “International to Domestic” with regards to the travel program destinations.

In 2011, do you anticipate any of the following changes will be made with regard to incentive travel program destinations? Check all that apply. (n=117)



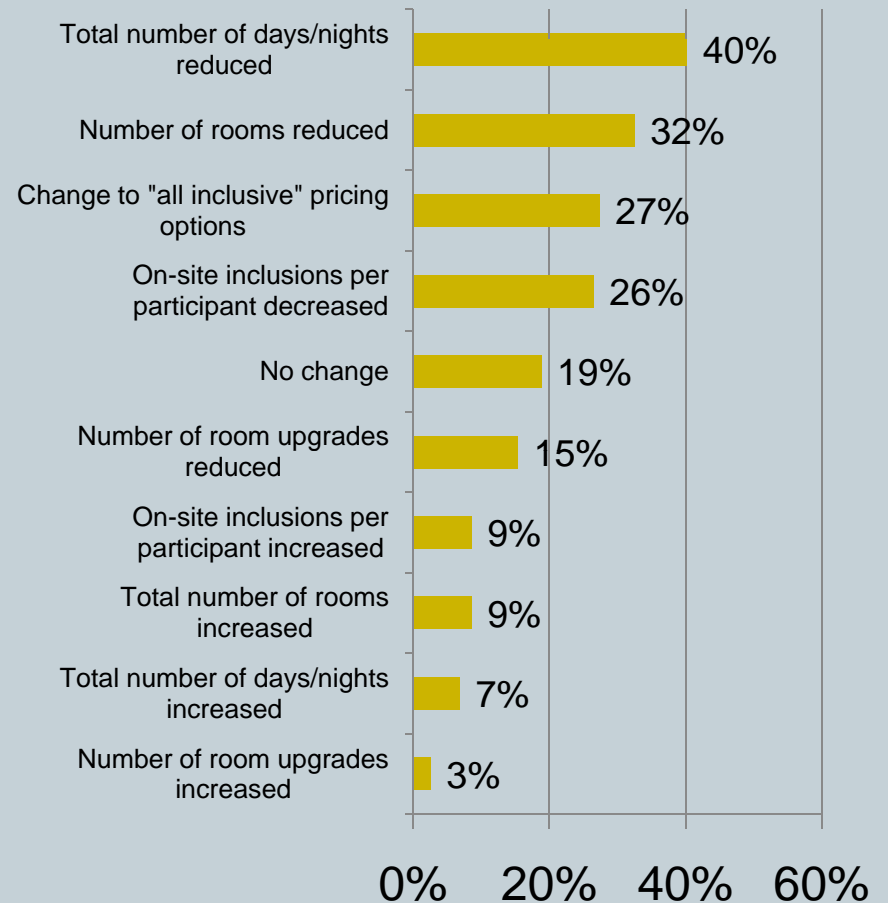
Anticipated Changes In 2011 With Regards To Incentive Travel Accommodations

9

A majority (40%) of respondents anticipate reducing the total number of days/nights for the accommodations portion of Incentive Travel Programs in 2011.

- 32% indicate that number of rooms will be reduced.
- 27% indicate a change to “all inclusive” pricing options
- 26% indicate that On-site inclusions per participant will be decreased.

With regard to accommodations for incentive travel programs in 2011 what changes, if any, will be made?
Check all that apply.(n=117)



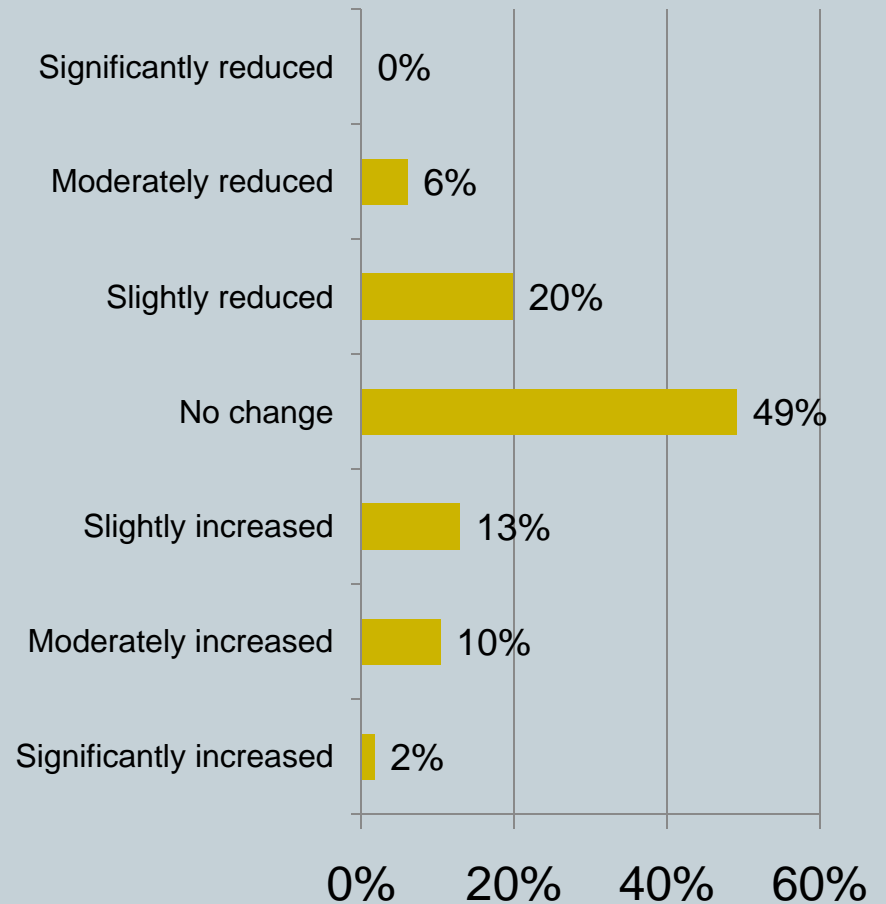
Anticipated Changes In 2010 With Regards To Sponsored Non-Meal Related Components

10

Slightly less than half (49%) of respondents anticipate No Change with regards to Sponsored Non-Meal Related Components for Incentive Travel Programs in 2011.

- 26% indicate that Sponsored Non-Meal related components will be **Reduced** to some degree, and an equal percentage indicated some degree of **Increase**

With regard to the sponsored (paid by your company) non-meal related components for incentive travel programs, what changes in 2011, if any, will be made? Will non-meal related components be... (n=116)



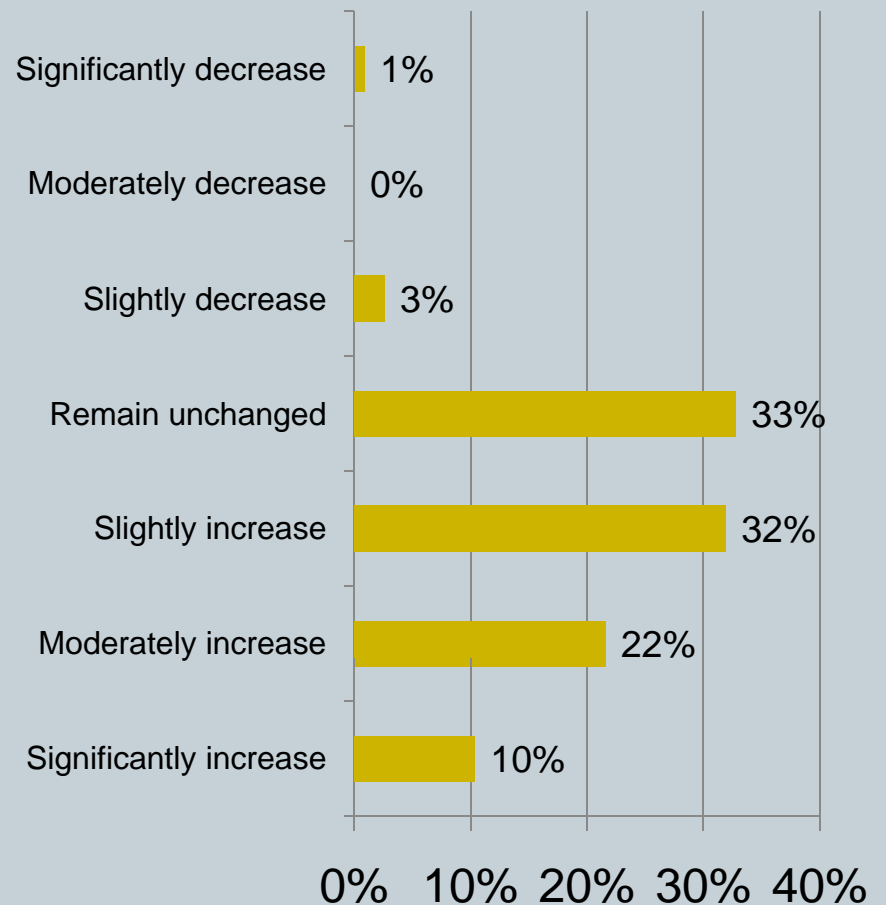
Anticipated Changes With The Involvement Of Procurement And Purchasing In 2011 Travel Incentive Programs

11

While a third (33%) of the respondents anticipate No Change with regards to involvement of procurement and purchasing for Incentive Travel Programs in 2011, **65% agree that procurement involvement will increase** by some degree in 2011.

- 33% indicate that procurement and purchasing involvement will “Slightly Increase” in 2011.
- 22% indicate that procurement and purchasing involvement will “Moderately Increase” in 2011.
- 10% indicate that procurement and purchasing involvement will “Slightly Increase” in 2011.

With regard to planning and implementing incentive travel programs, do you anticipate the involvement of procurement and purchasing in 2011 to... (n=116)



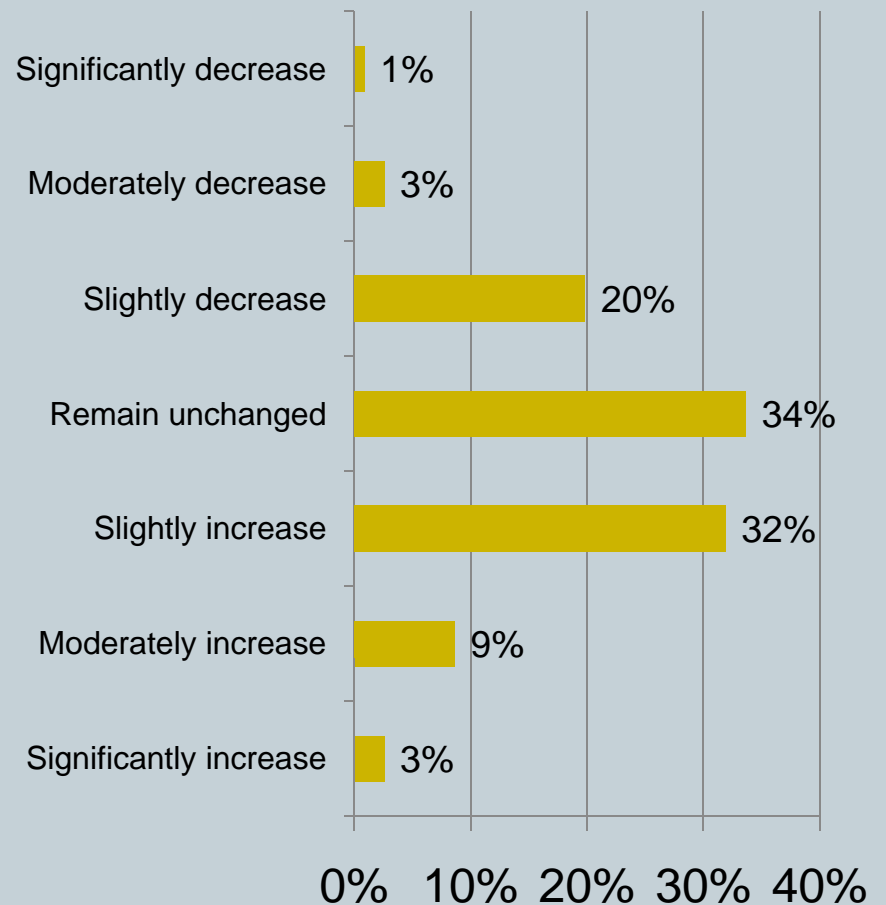
Anticipated Changes In 2011 Incentive Travel Program Budgets

12

One third (34%) of the respondents anticipate budgets for Incentive Travel Programs in 2011 to “Remain Unchanged”.

- 20% indicate that budgets for Incentive Travel Programs in 2011 to “Slightly Decrease”.
- Only a combined 43% indicate that budgets for Incentive Travel Programs in 2011 to increase.

With regard to the sponsored (paid by your company) non-meal related components for incentive travel programs, what changes in 2010, if any, will be made? Will non-meal related components be... n=116)



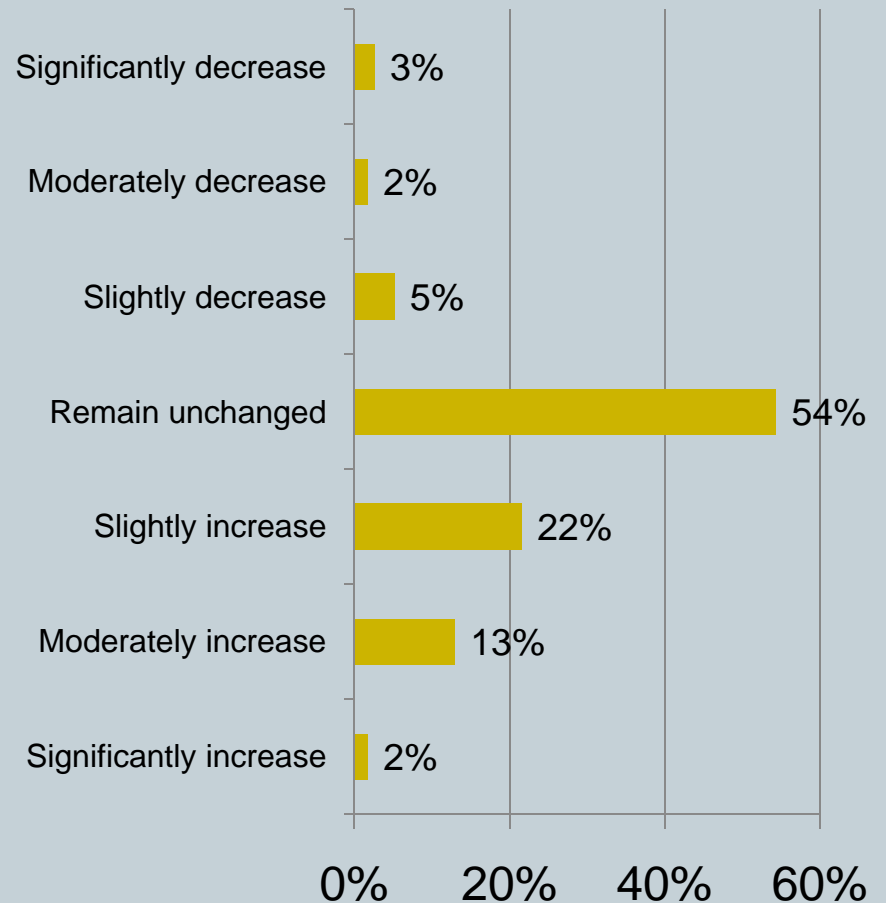
2011 Trend Strategy For The Consideration Of Award Strategy Moving (Either Temporarily Or Permanently) From "Group Trips" To "Individual Travel Packages"

13

Slightly more than half (54%) of the respondents do not anticipate changing (either temporarily or permanently) from "group trips" to "individual travel packages" in 2011.

- A combined 10% indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" in 2011 to decrease.
- Only a combined 36% indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" to increase.

With regard to planning and implementing incentive travel award programs, do you anticipate the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" to...n=116)

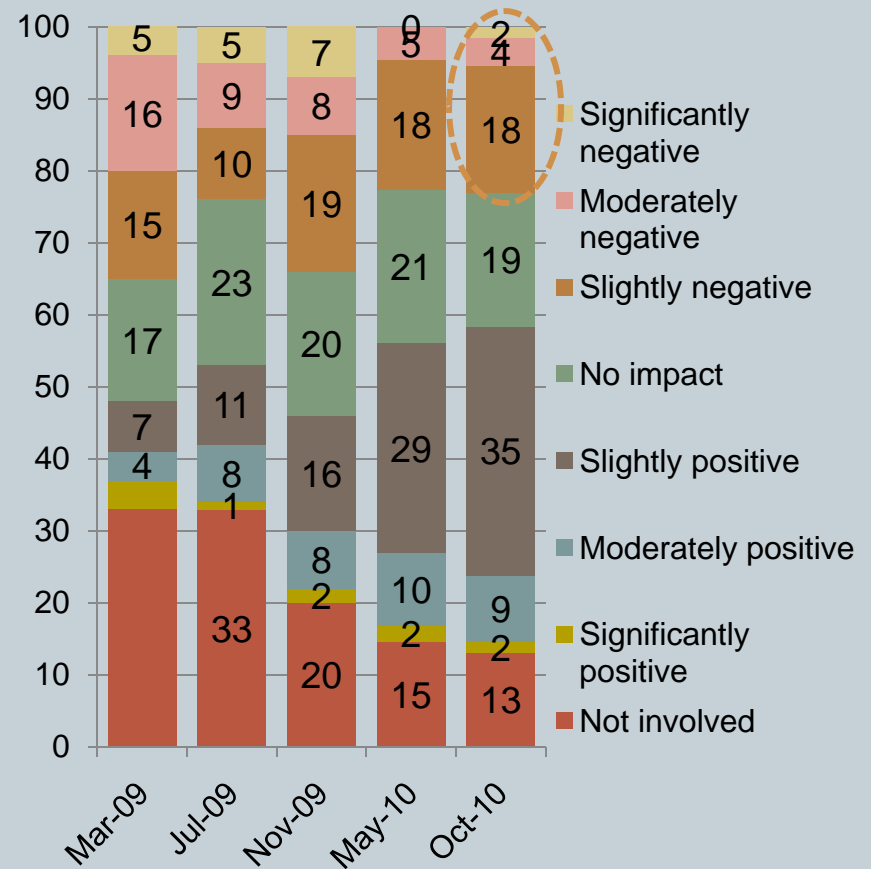


Perceived Impact of the Economy on Ability to Plan and Implement Merchandise Non-Cash Incentive Programs

In October 2010, less respondents anticipate the economic downturn to have a continued negative effect on their ability to plan and implement merchandise non-cash incentive programs than in 2009.

- Negative impact 23% in October 2010 vs. 24% in May 2010.
- No impact 19% in October 2010 vs. 21% in May 2010.
- Positive impact 45% in October vs. 42% in May 2010.

In your opinion in 2011, what impact will the economy have on the ability to plan and implement merchandise non-cash incentive programs? Will the impact of the economy in 2011 be...(n=130)



Note: 2008 vs. 2009 percentages not comparable because "not involved" response category added in 2009 survey.

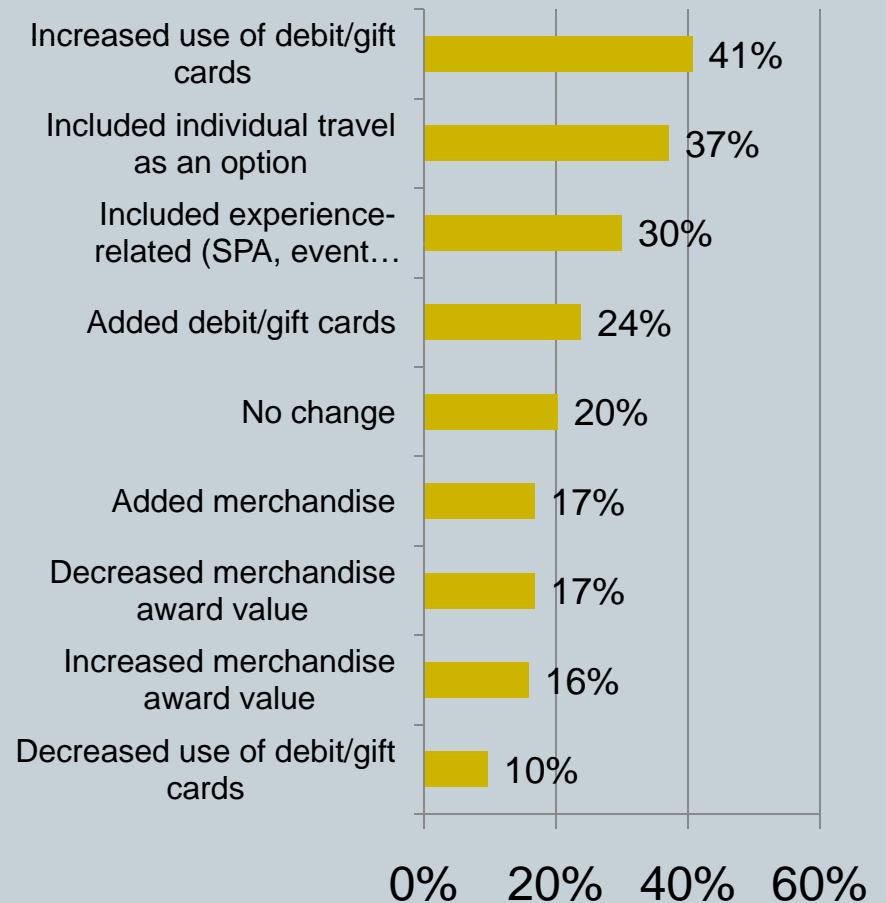
Anticipated Changes In 2011 With Regards To Merchandise Non-cash Incentive Programs Award Selections

15

41% of respondents anticipated “Increased use of debit/gift cards” as an award selection with regards to 2011 Merchandise Non-Cash Incentive programs.

- 37% indicate that the use of Included individual travel as an option will be increased in 2011.
- 30% indicate that the use of Included experience-related (SPA, event tickets, etc.) as an option will be increased in 2011.

With regard to merchandise non-cash incentive programs, what changes, if any, will be made in 2011 with award selections? Check all that apply. (n=)

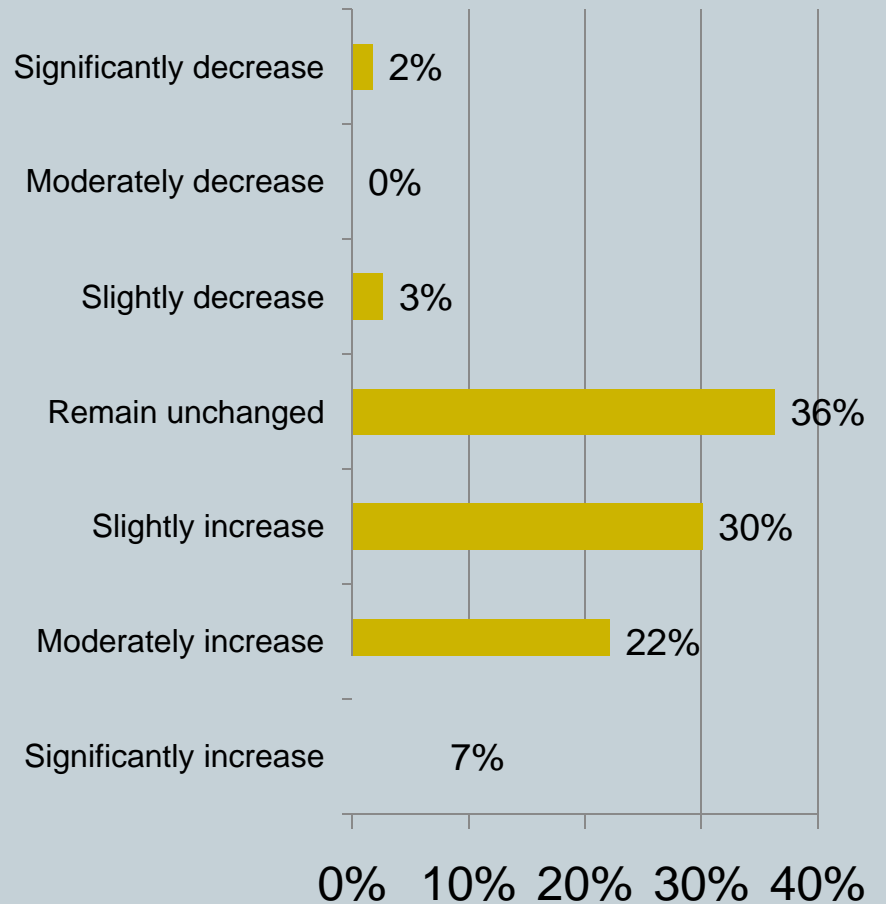


Anticipated Changes With The Involvement Of Procurement And Purchasing In 2011 Merchandise Non-Cash Incentive Programs

36% of respondents anticipate no change with regards to involvement of procurement and purchasing for Merchandise Non-Cash Incentive Programs in 2011, most all agree that their involvement will increase by some degree in 2011.

- 30% indicate that procurement and purchasing involvement will “Slightly Increase” in 2011.
- 22% indicate that procurement and purchasing involvement will “Moderately Increase” in 2011.
- Only 7% indicate the procurement and purchasing involvement will increase by some degree in 2011.

With regard to planning and implementing merchandise non-cash incentive programs, do you anticipate the involvement of procurement and purchasing in 2011 to...(n=113)



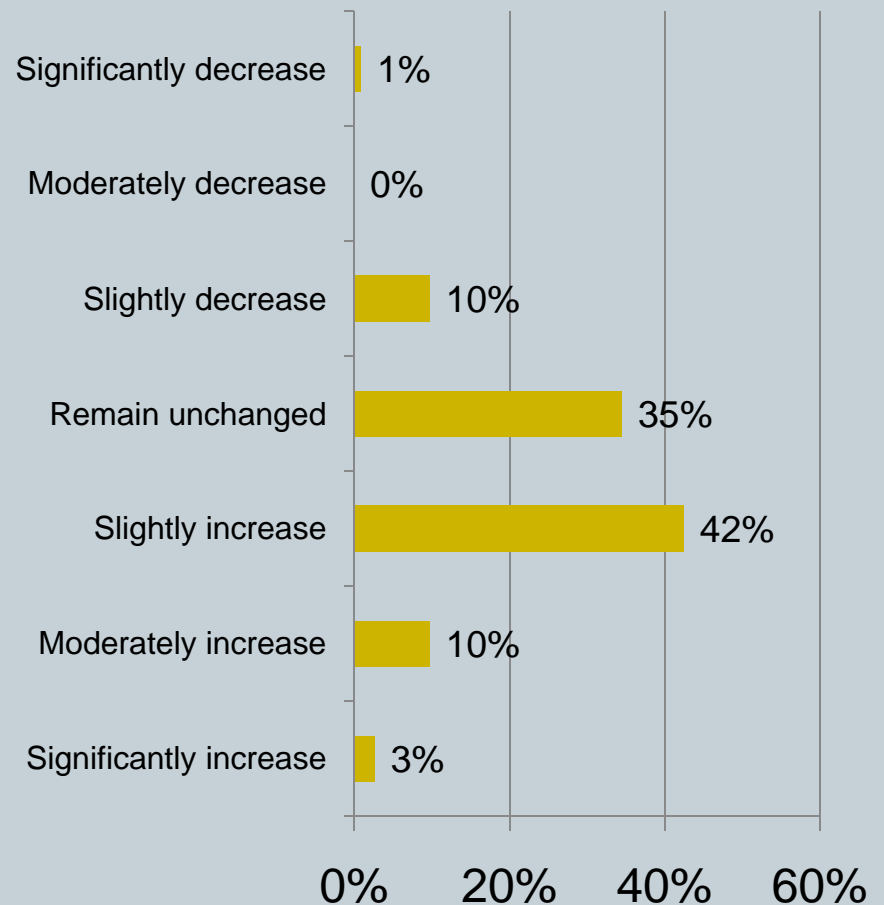
Anticipated Changes In 2011 Merchandise Non-Cash Incentive Program Budgets

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Of note, a combined 55% indicate that budgets for Merchandise Non-Cash Incentive Programs in 2011 to increase by some degree.

- Only 10% indicate that budgets for Merchandise Non-Cash Incentive Programs in 2011 to “Slightly Decrease”.
- 37% of respondents anticipate budgets for Merchandise Non-Cash Incentive Programs in 2011 to “Remain Unchanged”.

In 2010, do you anticipate budgets for merchandise non-cash incentive programs in general to...(n=113)



General Issues Of Interest to the Industry

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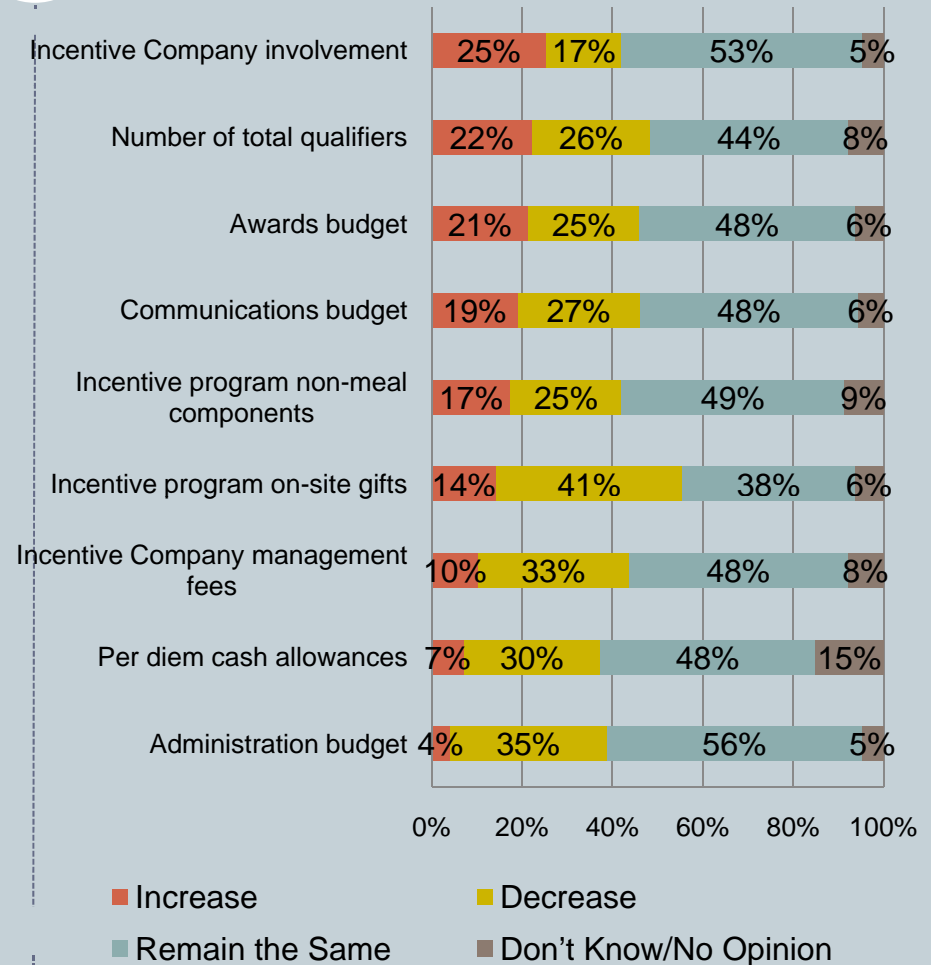
Budget Changes for 2011 Incentive Program Elements

Anticipated Changes Incentive Program Elements

In general, respondents indicated that they anticipate most incentive program elements to remain the same in 2011.

- The following elements received ratings of Increase of greater than 20% for 2011:
 - Incentive Company involvement (25%)
 - Number of total qualifiers (22%)
 - Awards budget (21%)

In 2011, do you anticipate the following incentive program elements will increase, decrease or remain the same?
(n=130)



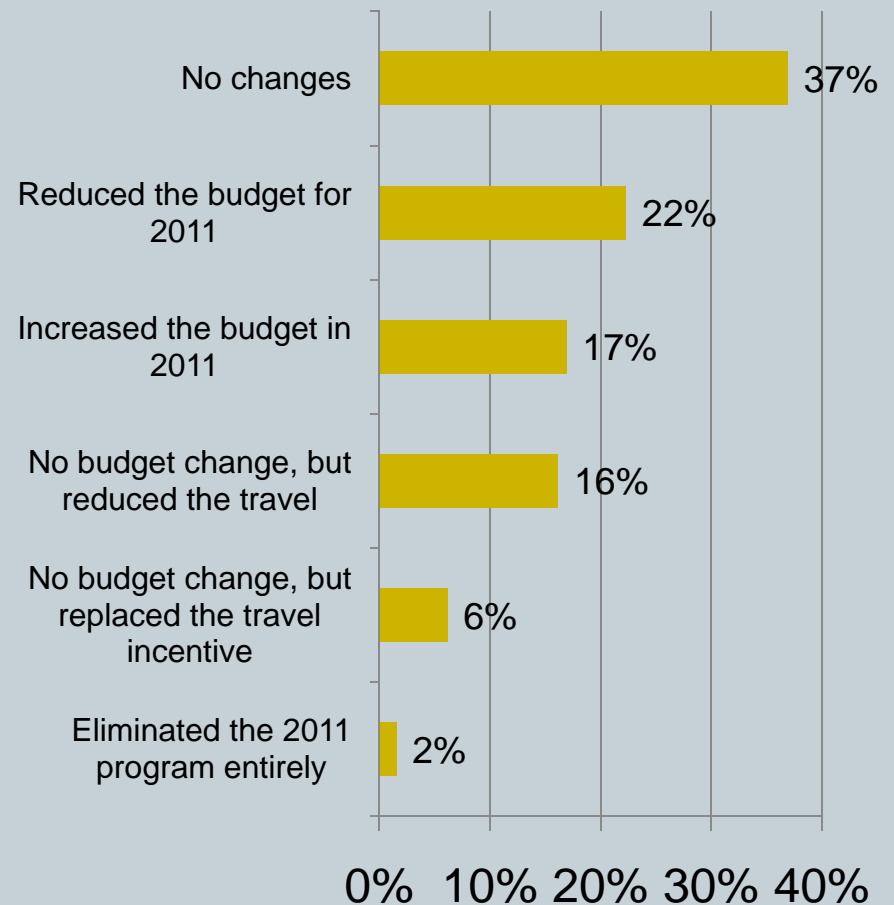
Changes To 2011 Incentive Program As A Result Of The Economic Conditions In 2010

20

37% of the respondents anticipate no changes to the budget for Incentive Travel Programs in 2011 as a result of the economic conditions in 2010.

- 22% indicate that that budgets for Incentive Travel Programs in 2011 have been reduced as a result of the economic conditions in 2010.
- 17% indicate that that budgets for Incentive Travel Programs in 2011 have increased as a result of the economic conditions in 2010.
- 16% indicate that no budget change, but reduced the travel, while 6% indicate no budget change, but replaced the travel for the Travel Incentive Programs in 2011 as a result of the economic conditions in 2010.
- 2% indicate the 2011 program has been eliminated entirely as a result of the economic conditions in 201-.

As a result of the economic conditions in 2010, have you made a change to your 2010 incentive program, and if so have you... (n=130)

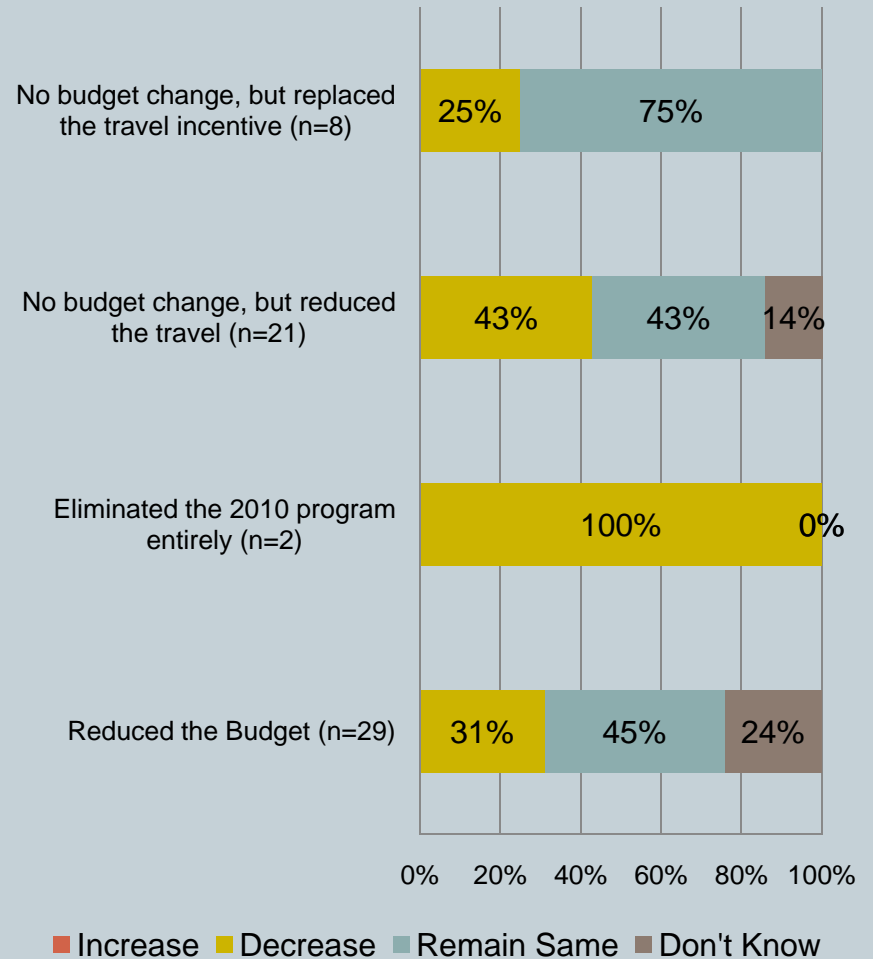


Impact of Budget Changes in 2011 on Employee Morale

21

In general, respondents indicated that changes to their 2011 Incentive travel program will have either a “decreased impact” or “remain the same” on Employee morale.

You indicated that you have *[inserted response on change to their program]*, what impact has this has on...

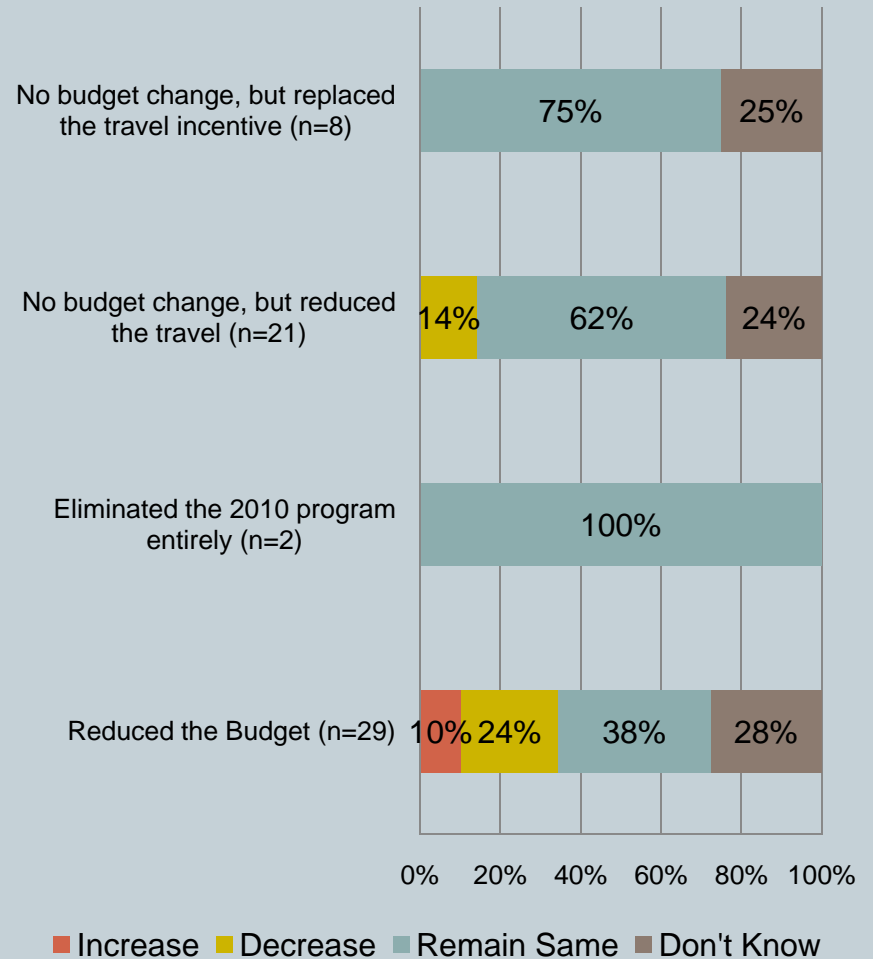


Impact of Budget Changes in 2011 on Sales Results

22

In general, most respondents indicated that changes to their 2011 Incentive travel program will have no impact on Sales Results.

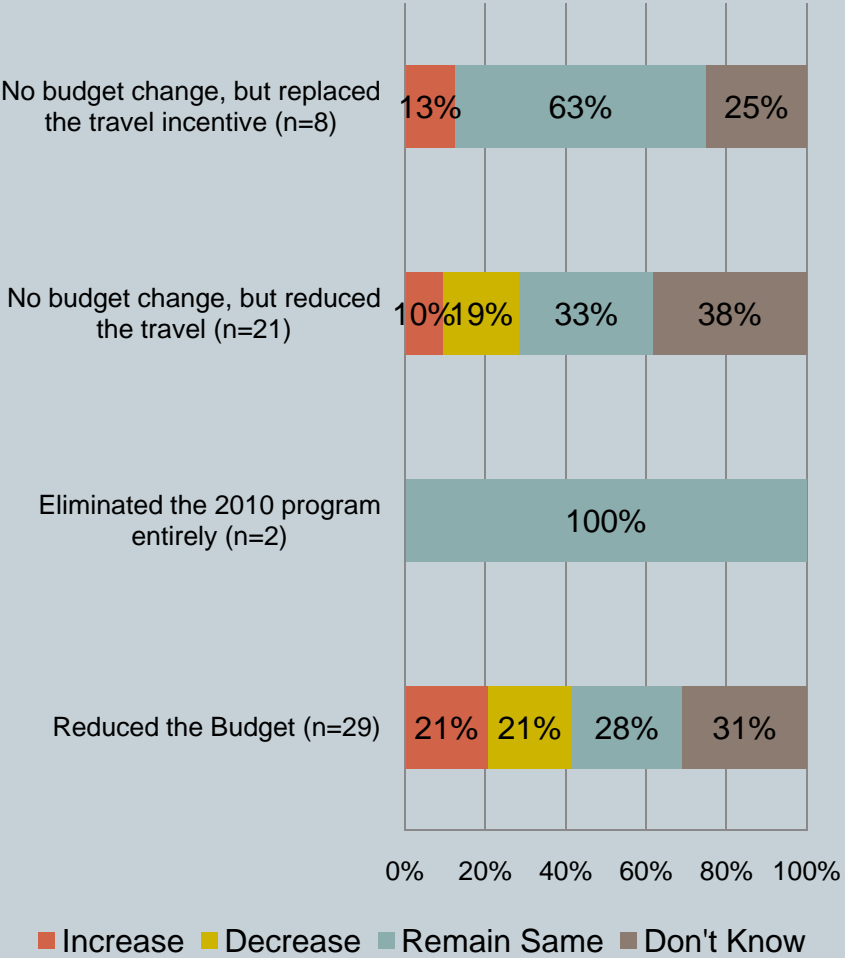
You indicated that you have *[inserted response on change to their program]*, what impact has this has on...



Impact of Budget Changes in 2011 on Profitability Results

In general, respondents indicated that changes to their 2011 Incentive travel program will have no impact on Profitability Results.

You indicated that you have *[inserted response on change to their program]*, what impact has this has on...



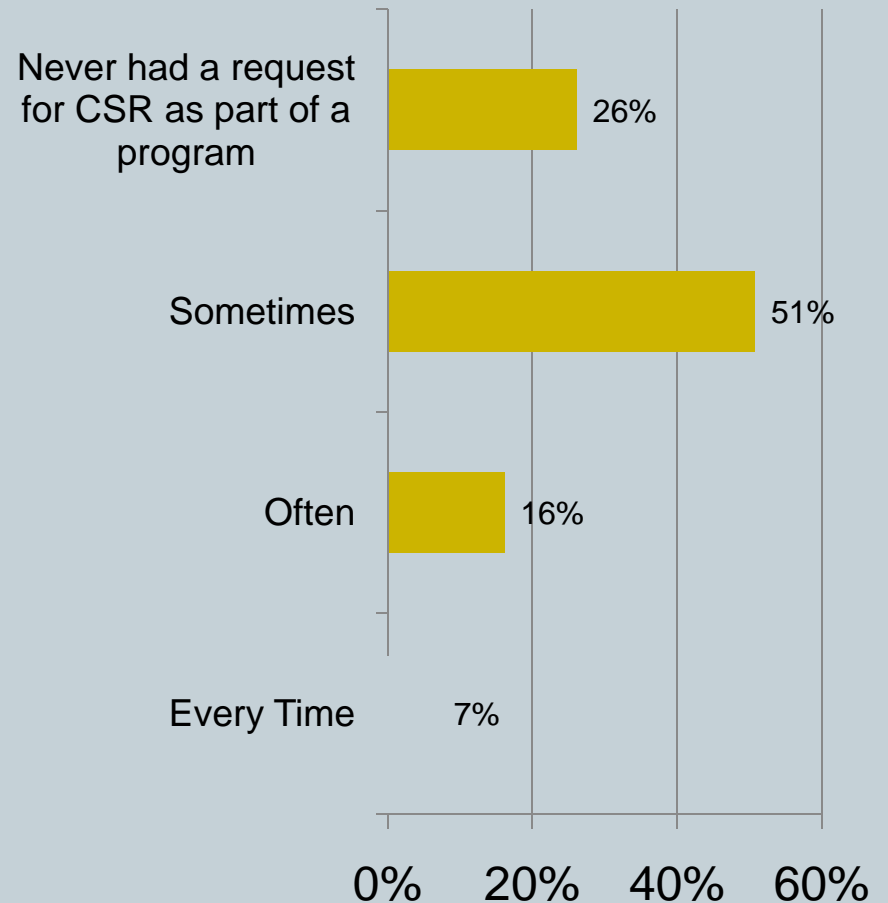
Corporate Social Responsibility (CSR) As Part Of Your Programs

24

The majority (51%) of respondents indicate that "Sometimes employees or customers are requesting CSR as part the programs.

- 26% indicate that they never had a request for CSR as part of a program.
- 16% indicate that they are often asked to include CSR as part of their programs, while
- 7% indicate that CSR is required every time.

Regarding CSR (Corporate Social Responsibility) as part of your programs, are your employees or customers requesting CSR components: (n=130)



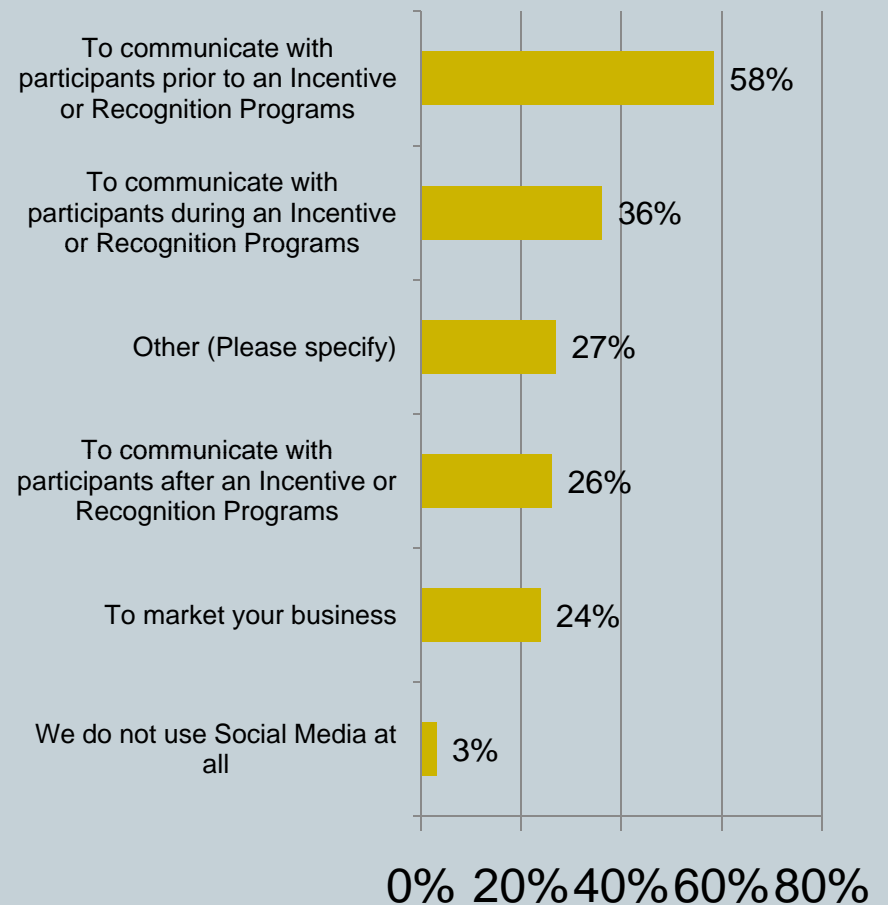
Use of Social Media as Elements of Programs

25

The majority (58%) of respondents indicate social media is used “To communicate with participants prior to an Incentive or Recognition Programs”

- 36% indicate that they use social media to communicate with participants during an Incentive or Recognition Programs
- 27% indicate that they use social media to communicate with participants after an Incentive or Recognition Programs
- 3% indicate that they do not use social media as an element of the program.

For what elements of your program, or business, are you currently using social media (blogs, twitter, linked in groups, wikis)...(n=130)

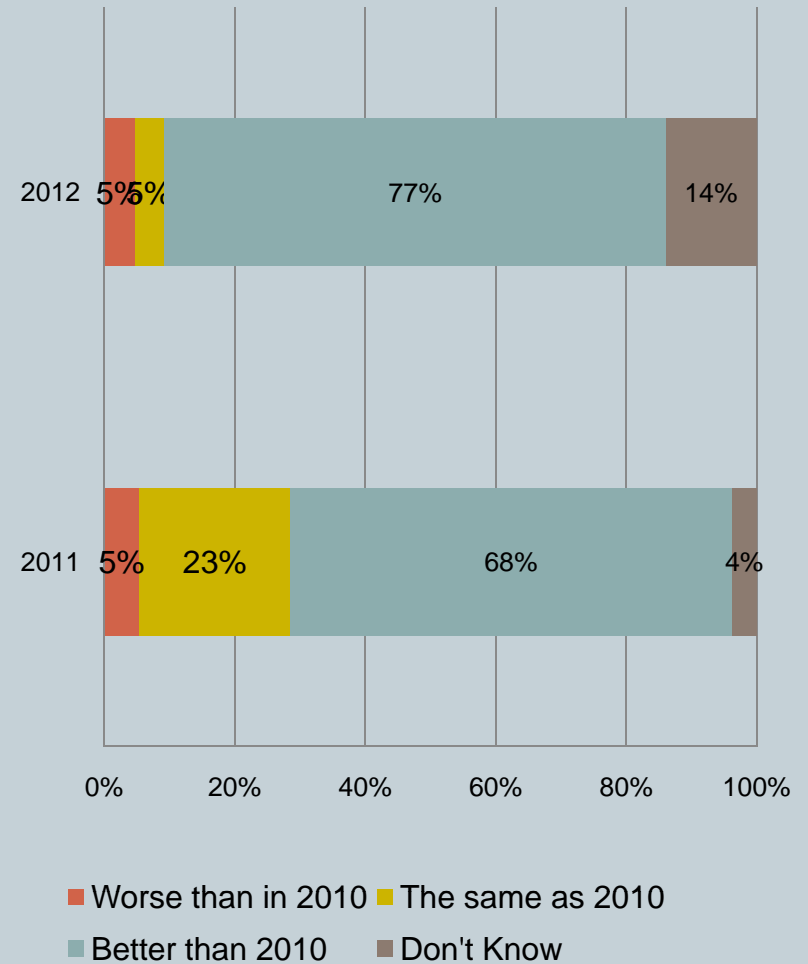


Predicting Business in 2011 & 2010

26

In general, respondents predict business to be better in both 2011 and 2012.

Are you predicting business in 2011/2012 to be: (n=130)



Is The Incentive Industry Doing Enough To Demonstrate The Business Value Of Incentives?

27

11% of the respondents indicate that they feel the industry is doing enough to demonstrate the business value of incentives.

- 66% feel that more Business spokespeople (C-level support) is needed.
- 55% indicate that more case studies would assist in demonstrating the business value of incentives.
- 47% indicate that testimonials would assist in demonstrating the business value of incentives.

Is the incentive industry doing enough to demonstrate the business value of incentives? If no, what else should be done? ... (n=130)

