

## Incentive Travel Research

# AT LAST, A REAL WAY TO MEASURE ROI



**What:** “Determining the Return on Investment of Incentive Travel Programs,” a study designed to determine which aspects of selling respond to incentive travel and how that response can be measured.

**Why:** Findings from this research will help you in your work if:

- You use incentive travel in motivation programs for salespeople, distributors, dealers, or others whose output can be readily quantified;
- Your upper management is committed to measuring the impact of motivation programs;
- You are seeking a practical tool for making better decisions when structuring your next incentive program.

**How:** Researchers surveyed 1,800 subscribers of *Meetings and Incentive Travel* magazine and 3,000 members of

Sponsored by the International Society for Performance Improvement, with a grant from the IRF.

The Incentive Research Foundation study paves the way to measuring return on investment.

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the Canadian Automobile Dealers Association. To present an in-depth picture of incentive travel, the authors made a point of recording views of both the people who win the awards and those executives who allocate the money to fund them.

**Who:** The study, funded by the IRF and coordinated by IRF-Canada, was conducted by Marion Joppe, Ph.D. and David Martin, D.BA. of the School of Hospitality and Tourism Management at Ryerson University, Toronto.

**Perspective:** With more and more non-sales personnel included in incentive travel programs, it is more difficult than ever to calculate return on investment (ROI). As a practical matter, incentive travel should probably be regarded as a “value-added activity,” one that is viewed

as important but not necessarily measurable. That is to say, it cannot be eliminated without reducing the quantity, responsiveness, or quality of output required by a customer or the organization.

**Sharpening the focus:** It is obvious, say the researchers, that there is no single approach to measurement for determining the ROI for incentive programs. Quoting a 1999 paper by R. Carey, the authors note that the key to having any real hope of calculating ROI is to establish objectives that are highly focused so they can be measured in the first place. Thus the more targeted the incentive travel program, the easier it will be to measure.

A new ROI tool for the job: It’s called the Program ROI Measures Template, but don’t let that put you off. It is simple to use and, most important, it works.



## GETTING DOWN TO THE MEASURING

“Determining the Return on Investment of Incentive Travel Programs” is intended to help businesses better understand what motivates winners and which attributes of incentive travel programs have the most importance to them.

Following a review of existing research, the research team interviewed three senior executives responsible for incentive program planning and financing. Researchers interviewed eight additional program decision makers and seven incentive travel winners. The information from these interviews formed the basis for a detailed survey administered to 1,800 subscribers of *Meetings and Incentive Travel* magazine and 3,000 members of the Canadian Automobile Dealers Association.

The result was an unusually vivid picture of a key motivational tool as viewed by management and those in the field.

The survey of corporate end users found that most companies, instead of





formally measuring the ROI of incentive travel programs, gauge such targets as sales, revenue, and market share and then assume that the incentive travel program did its job if those goals are met.

Planners determine a program's effectiveness by looking at bottom-line and motivational attributes, such as increasing revenues, bolstering the company's reputation, and identifying top performers. They also recognize softer, intangible objectives of incentive travel, such as providing networking opportunities and creating excitement to keep salespeople motivated. Indeed, they believe that such soft measures carry as much weight as hard returns.

### 13 OBJECTIVE THEMES

Winners of the trips, however, believe more strongly than do their bosses that incentive travel programs shift efforts to a specific product or service or direct business to a specific company. For them, the less tangible areas, such as employee and customer retention,

“Few companies are currently measuring the return on investment achieved through incentive travel programs.” —*study authors*

improved service quality, and increased morale, are generally less important. The primary reason for incentive travel, they maintain, is a reward for tangible accomplishments. Winners, therefore, are more skeptical about using incentive travel to improve such areas as employee and customer loyalty.

This study provides an overview of a variety of existing research on incentive travel in Canada. The research includes both the corporate view of incentive travel as a business investment and the employee view of it as a reward for past accomplishments. Among the highlights of certain previous studies:

- American corporate executives believe that travel and merchandise awards are more cost-efficient and effective than cash.

- Incentive travel as a part of the mix of rewards decreased from 1998 to 1999, from 53% to 40%.

- Incentive travel programs are implemented to affect sales volume, morale, customer loyalty, market share, employee trust, customer service, new markets, teamwork, contacts, and concern for workers.

The researchers asked both corporate planners and winners to rate 48 different attributes of programs on a scale of one to 10. The attributes were then organized into the following 13 Objective Themes, which were created from the basis of the study's ROI measurement approach:

- improving the bottom line;
- focusing sales strategy;
- networking benefits;
- performance levels;
- competitive advantage;
- performance assessment;
- building trust;
- peer pressure;
- compensation benefits;

- employee loyalty;
- relationship benefits;
- employee motivation;
- corporate values, objectives, vision.

### WHAT'S IMPORTANT AND WHO SAYS SO

#### Results from the corporate survey

- Very few companies are currently measuring the return on investment achieved through their incentive travel programs. Instead, they measure targets such as sales, revenue, and market share. If those are achieved or surpassed, the performance is attributed to the incentive travel program.

- Corporate respondents rate the effectiveness of incentive travel programs higher than do winners. To determine effectiveness, they look at bottom-line and motivational attributes, such as sales and revenue increases, bolstering the company's reputation and identifying top performers.

- At the same time, corporate respondents also recognize softer, intangible objectives, such as creating excitement to keep salespeople motivated and providing networking opportunities. They recognize that such soft returns are just as important as hard returns for incentive travel programs.

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## Results from the winners survey

■ Winners believed more strongly than corporate respondents that incentive travel programs are effective in such areas as shifting efforts to a specific product or service and directing business to a specific company.

■ For the most part, less tangible areas—such as employee and customer retention, improved service quality and increased morale—are not seen as very important.

## IMPORTANCE-PERFORMANCE ANALYSIS

New tools are now available on [incentivecentral.org](http://incentivecentral.org). These new tools can help any marketer weigh their incentive programs and calculate ROI. A summary of how some of the tools work:

The researchers created an Importance-Performance Grid that incentive program planners can use to set priorities for the objectives they want to accomplish. The grid's horizontal axis indicates the importance of an objective in designing incentive travel programs, ranging from Not Important to Very Important. The vertical axis indicates the survey respondents' perceptions of an objective's performance, from Poor to Excellent.

By taking the values that respondents assigned to the 13 Objective Themes and plotting them on the grid, the researchers laid out the critical elements of any motivational program in a format that enables the user to see instantly which objectives are important and to whom. For example, planners will see that objectives that fall into the upper right-hand quadrant (High Importance/High Performance) should be accorded a high priority, because they are likely to carry the most weight in achieving a high ROI.

In this regard, it is important that corporations first determine the objectives that are truly important, then review the specific attributes that compose each objective. Finally, they must determine the appropriate tool for measuring the

degree to which each objective is being achieved. The accompanying table, Measurement Guidelines, is designed to help managers perform this task and prepare them for the next phase of the measurement process.

## STEPS TO FOLLOW IN CALCULATING ROI

In all, the researchers identified 48 attributes associated with incentive travel programs, but to simplify this explanation, we will suppose that the planner is concerned with evaluating only those that fall under six of the Objective Themes. (Presumably, the planner is committed to measuring an incentive travel program that has already taken place and using the evaluation as a basis for planning future programs.) The first step in deciding which elements to concentrate on is to construct an Attribute Evaluation Tool. By following these five steps, the planner can determine which attributes are critical in achieving specific corporate goals:

1. Review the attributes.
2. Review corporate goals.
3. Identify all potential incentive program goals.
4. Divide all potential attributes into Short-Term or Long-Term Goals. Short-Term goals are those objectives that can be impacted by the program within the qualification period.
5. Using a scale of one to 10, assign a priority rating to all applicable Short-

## WHERE TO GET THE STUDY

**A complete copy of the study is available for \$75 from:**  
**The Incentive Research Foundation**  
**Frank J. Katusak, Executive Director**  
**304 Park Avenue South**  
**11th Floor**  
**New York, NY 10010**  
**212-590-2518**  
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Term Goals. Primary goals are those critical to the financial success of the program. Based on the research performed, they received scores of eight or higher. Secondary goals received scores from one to seven.

At this point, the Program ROI Measures Template comes into play as the planner completes the final five steps of the procedure.

6. From the Attribute Evaluation Tool, transcribe those attributes deemed Short-Term Primary Goals into a Program Measures list. Prioritize these goals from most to least important.

7. Identify specific pre-program objectives in real terms, showing how each attribute translates into actual objectives. These items reflect the company's goals before the implementation of a program.

8. Review the company goals for the program and calculate the results.

9. Calculate the Program Impact by taking the company goals before the implementation of the program and subtracting (or adding) the actual results. Where hard objectives were used, an actual amount of money can be shown. Soft objectives require an estimated money impact.

10. Calculate the ROI by comparing the total program financial impact to the total program cost. The difference between these two figures is the ROI.

## GO ONLINE NOW:

- To Try These Tools
- To View Hypothetical Case Studies
- To Calculate ROI
- To get the Whole Study
- To Explore Incentive Central.org

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