

United States Incentive Merchandise and Travel Marketplace Study

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Introduction & Methodology

Introduction & Objectives

The Incentive Federation was formed to protect the rights of organizations to motivate customers and employees through the intelligent and ethical use of incentive programs. Comprised of the leading associations, trade shows, and some of the top suppliers in the incentive field, the Federation monitors Federal regulations that could affect the proper use of incentive programs and lobbies against proposals that could hinder the ability of businesses to properly use incentive programs. As part of its industry services, the Federation also conducts regular research on the use of incentives by U.S. organizations, and manages the Incentive Performance Center, the industry-wide effort to promote professional use of incentives.

The Incentive Federation contracted with GfK, an international market research company, to develop and conduct a market sizing study for incentive travel and merchandise. The objectives of the study are:

- ✓ To assess the size of the market for travel and merchandise incentives in the United States;
- ✓ To determine the types of companies that use travel and merchandise as incentives;
- ✓ To understand the perceived benefits of travel and merchandise incentives;
- ✓ To gauge the views and opinions of end-users about their usefulness, effectiveness
- ✓ To gauge future usage of these types of incentives.

Methodology

GfK conducted telephone interviews with company executives responsible for the development and budgeting of incentive travel and/or merchandise incentives in the United States. The companies included in this study were derived from the Dun & Bradstreet universe of U.S. businesses. Overall, 53% of the establishments contacted were interviewed. There were 1,121 interviews completed.

This study overlapped with the research on the market for incentive travel, motivational meetings, and special events conducted by The Incentive Research Foundation. Since the Federation and Foundation used the same research firm to conduct the studies we coordinated the incentive travel segment of both studies and, therefore, the market size and usage incentive travel numbers reported in both research reports are the same.

Notes & Definitions

Incentive Travel: Incentive travel is a management tool that uses an exceptional travel experience to motivate and/or recognize participants for superior performance in support of organizational goals. The purpose of the trip is for participants' enjoyment and not for business.

Incentive Merchandise: Merchandise used as part of an incentive or recognition program, targeted to employees, sales people, customers, business partners, distributors, dealers and/or consumers. These may be a variety of consumer products of different values, as well as gift certificates/gift cards. This does include token items such as advertising specialties (e.g., key chains, luggage tags, pens, etc.).

Large: Companies with a D&B-specified revenue of \$100 million or more annually.

Medium/Small: Companies with a D&B-specified revenue of less than \$100 million annually.

Low Base: Bases below n=50 are denoted with an asterisk. This signifies that the results should be viewed as directional only. A double asterisk indicates a very small base and the results are not presented.

Rounding Error: Throughout the report, percentages may not add up to 100% due to rounding error.

Market Sizing Summary

Total Market Usage of Incentive Travel and Merchandise Incentives

Overall, 34% of companies used either incentive travel or merchandise incentives in 2006. Ten percent of companies used incentive travel, while 31% used merchandise incentives.

- ✓ Larger companies have a higher usage of both incentive travel and merchandise than smaller companies. The incidence for incentive travel among companies with revenues over \$100 million is 23% and for merchandise incentives 48%, compared with 10% and 30%, respectively, for companies with revenues less than \$100 million.

	Total Usage	Usage by Company Size	
		Large	Small/ Medium
Incentive Travel	10%	23%	10%
Merchandise Incentives	31%	48%	30%
Total Net Market	34%	57%	34%

Total Market Size of Incentive Travel and Merchandise Incentives

The total market for incentive travel and merchandise in 2006 was \$46.1 billion.

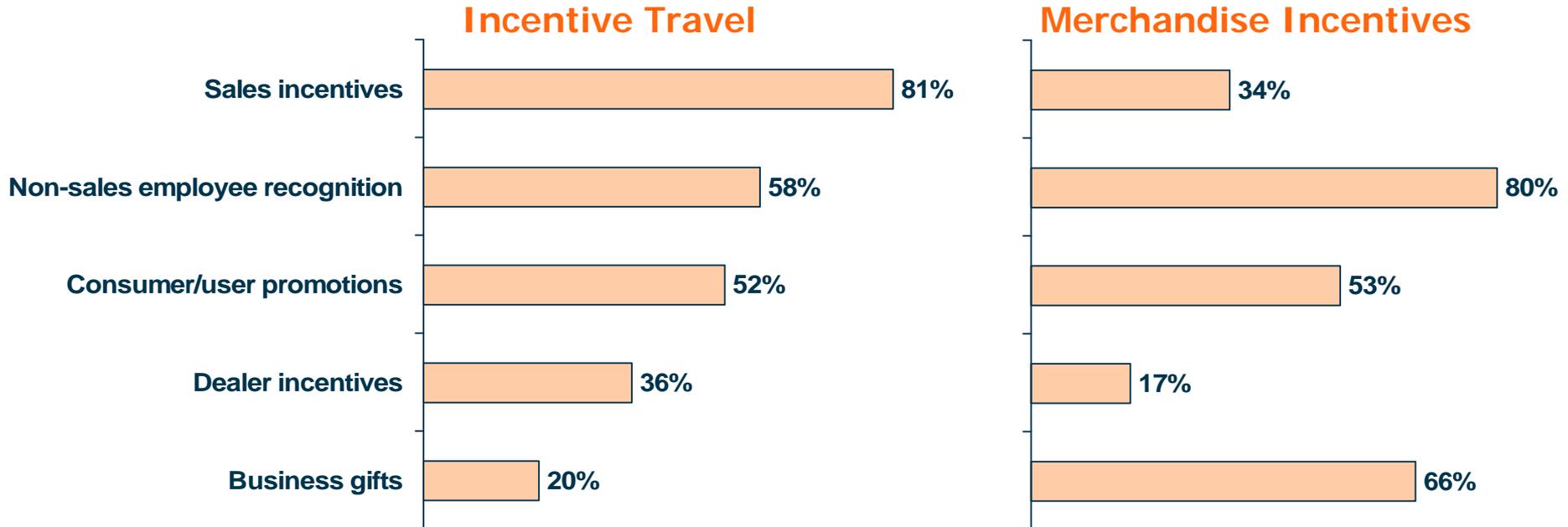
- ✓ Companies using incentive travel spent \$13.4 billion.
- ✓ The market for merchandise incentives was \$32.7 billion.

	Total in billions
Incentive Travel	\$13.38
Merchandise Incentives	\$32.70
<hr/>	
Total	\$46.08

Applications of Incentive Travel and Merchandise

Among companies that use incentive travel, the most common application is for sales incentives. However, it is also used for non-sales employee recognition and consumer promotions by more than 50% of companies. Merchandise incentives are most often used for non-sales employee recognition and business gifts.

- ✓ Business gifts and Dealer incentives are less frequent applications for incentive travel.
- ✓ Companies that use merchandise incentives rarely do so for dealer incentives.



Distribution of Total Expenditures on Incentive Travel and Merchandise Incentives

Customer/user promotions are the most popular type of incentive, representing 27% of all expenditures on travel and merchandise incentives. Merchandise for non-sales employees constitutes a fourth of expenditures, travel incentives for sales people 14% and business gifts 12%.

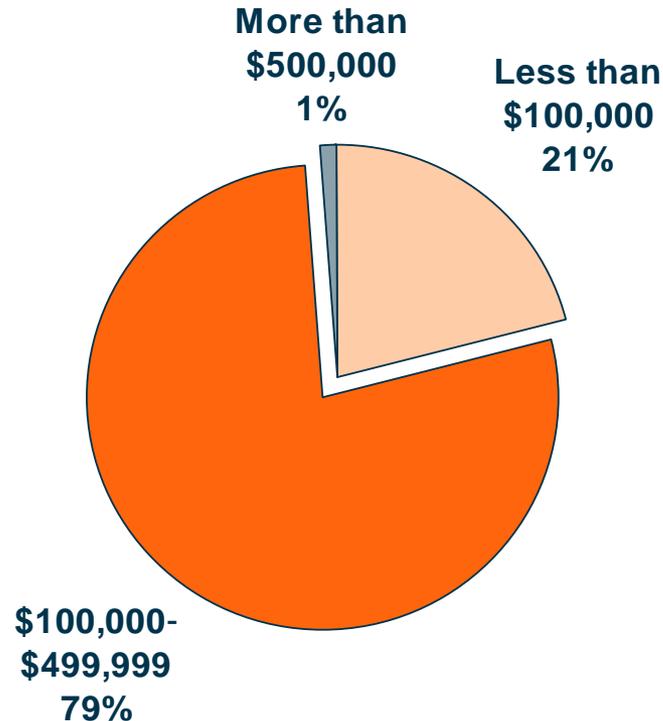
	Total Expenditure Amount in billion 2006	Percentage of Total Expenditures 2006
Customer/user promotions	\$12.60	27%
Sales Incentives: Merchandise	\$5.10	11%
Sales Incentives: Travel	\$6.60	14%
Dealer Incentives: Merchandise	\$0.75	2%
Dealer Incentives: Travel	\$0.80	2%
Non-Sales Employee: Merchandise	\$11.35	25%
Non-Sales Employee: Travel	\$3.30	7%
Business Gifts	\$5.59	12%
Total Expenditures	\$46.08	100%

Typical Annual Expenditures for Incentive Travel

The average budget for incentive travel, in 2006, was \$164,271. More than three fourths of incentive travel end users spend between \$100,000 and \$500,000 annually.

Incentive Travel Annual Budget

Average Annual Budget = \$164,271

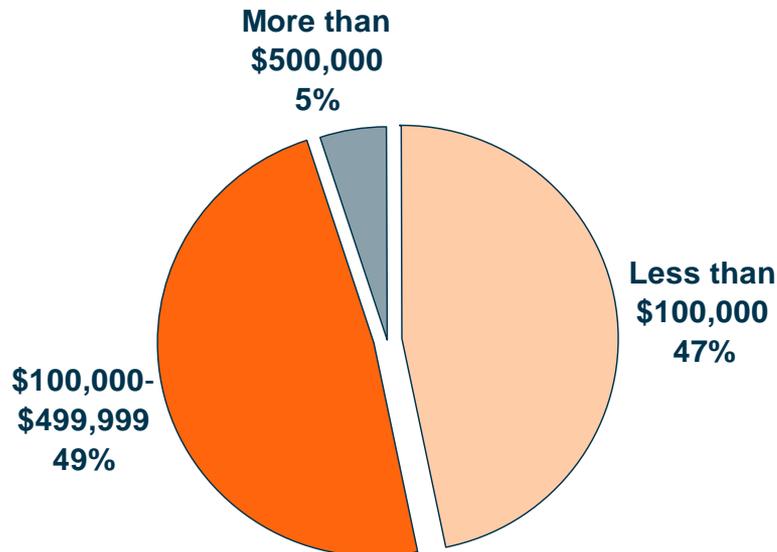


Typical Annual Expenditures for Merchandise Incentives

The typical budget for merchandise incentives in 2006 was \$119,008. Almost half of the merchandise incentive users spend between \$100,000 and \$500,000 annually.

Merchandise Incentives Annual Budget

Average Annual Budget = \$119,008

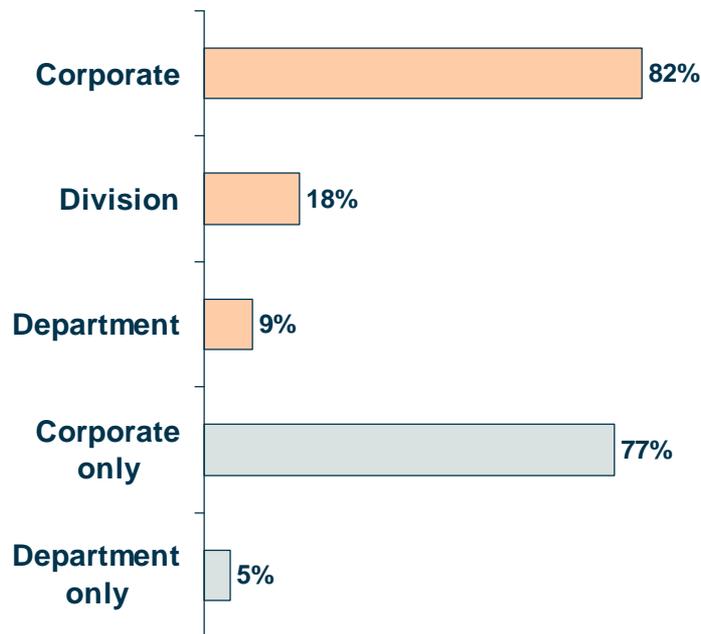


Company Departments that Organize/Sponsor Incentive Travel

For the vast majority of companies that sponsor incentive travel, the programs are run by or with the involvement of the corporate office. In slightly more than three fourths of companies, incentive travel programs are sponsored by corporate only; conversely, 23% of other departments are also involved.

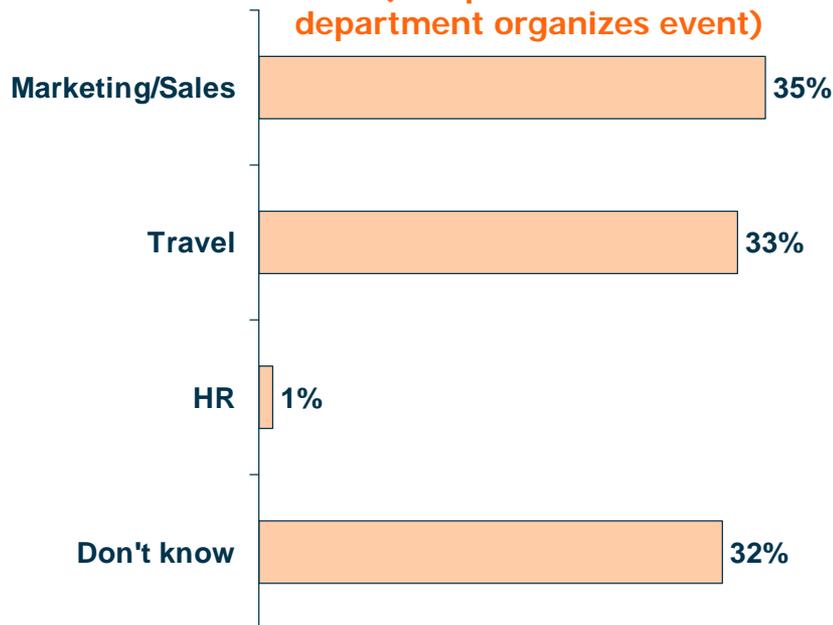
- ✓ In cases where departments are involved, 35% reported that marketing or sales sponsor incentive travel programs. The travel department is the organizer in one third of cases and HR is involved in one percent of companies.

Incentive Travel Respondents



Incentive Travel Respondents

(Companies where department organizes event)

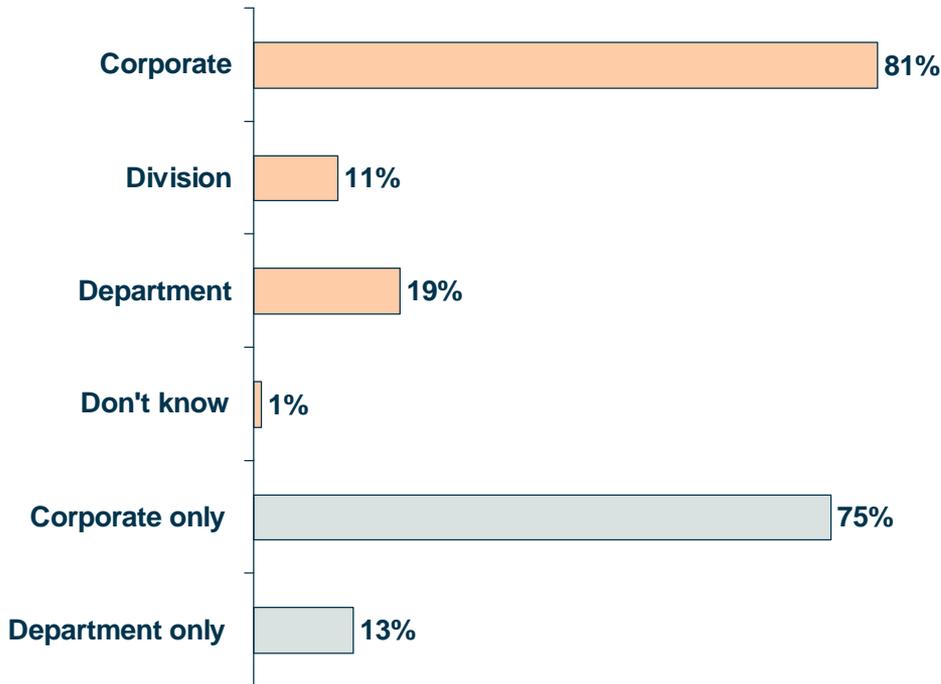


Company Departments that Organize/Sponsor Merchandise Incentive

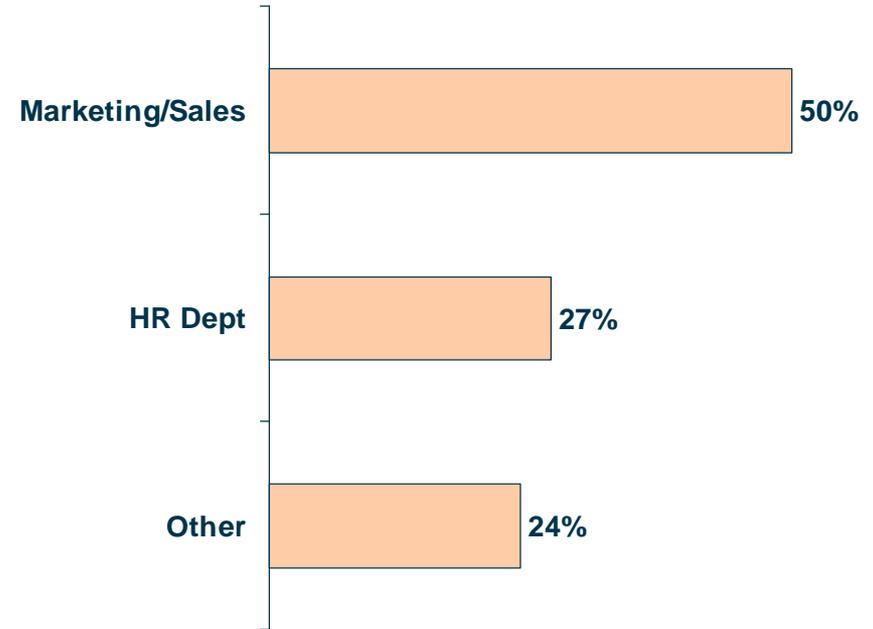
In three of four cases Merchandise Incentives are organized or sponsored by corporate.

- ✓ Human resources has a higher level of involvement with merchandise incentives than it does with incentive travel.

Merchandise Incentive Respondents



Merchandise Incentive Respondents



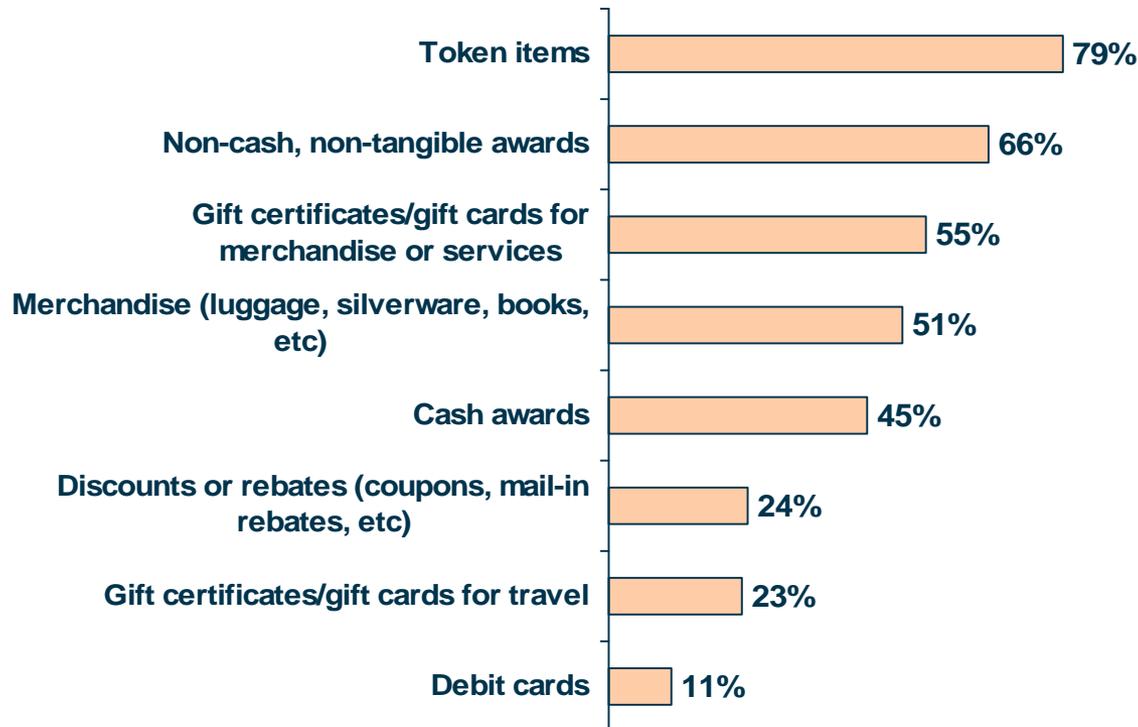
Profile of Travel and Merchandise Incentives among Large Companies

Types of Motivational Methods or Techniques Used by Large Companies

Overall token items and non-cash, non-tangible awards are the motivational techniques used most frequently by large companies.

- ✓ 23% use gift certificates or gift cards for travel as a method of motivating their employees, dealers, or consumers.

Merchandise Incentive Respondents Companies with Revenues over \$100 million

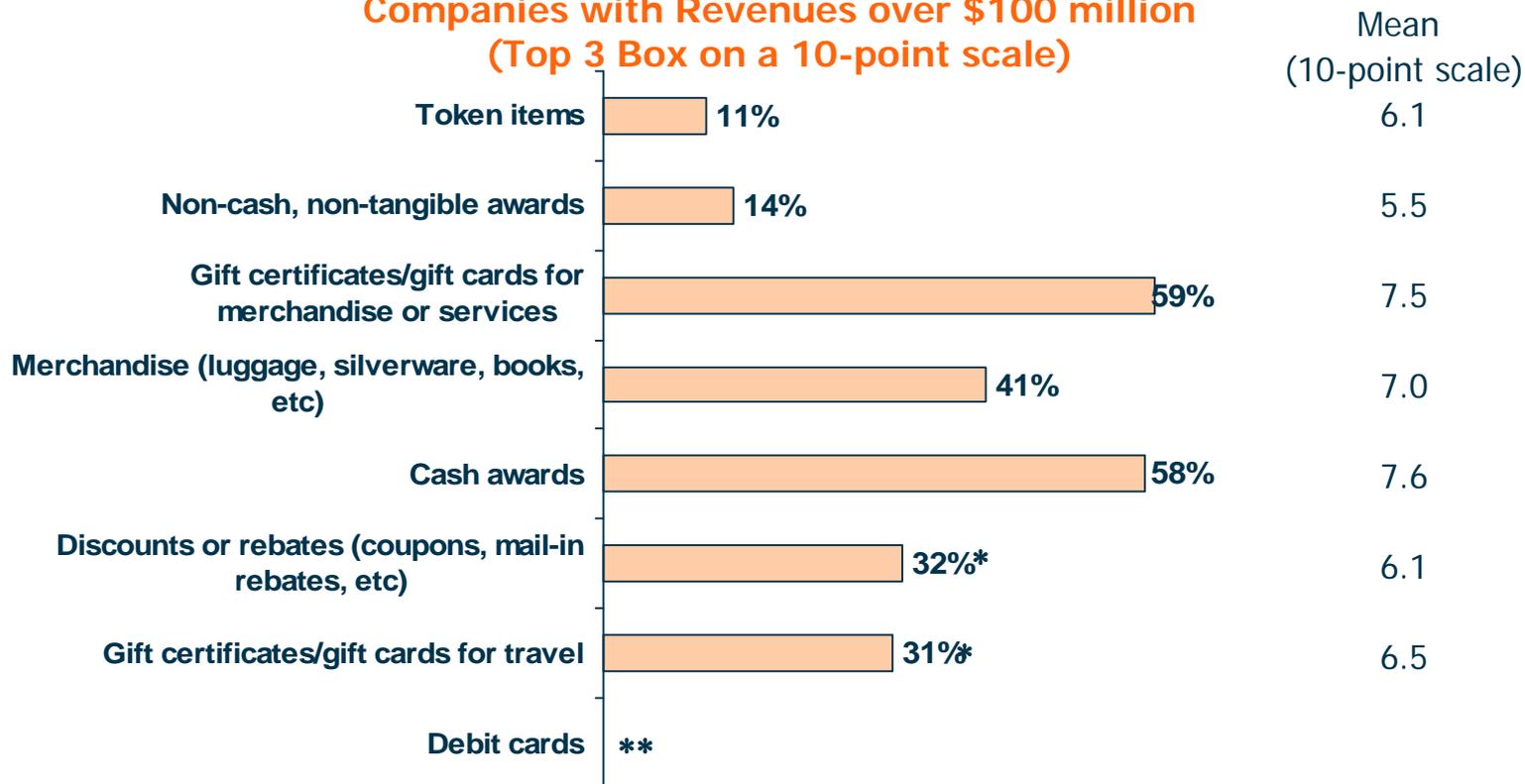


Effectiveness of Motivational Methods or Techniques Used by Large Companies

Though token items are the most prevalent motivational method, they are also viewed as the least effective.

- ✓ Gift Certificates/gift cards for merchandise and Cash had the highest average rankings.

Merchandise Incentive Respondents who use technique Companies with Revenues over \$100 million (Top 3 Box on a 10-point scale)

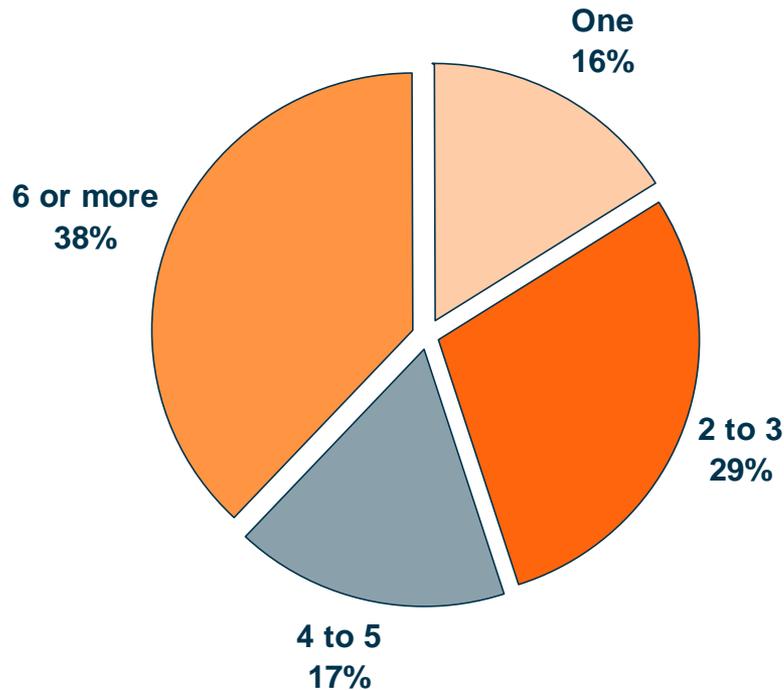


Average Annual Number of Incentive Travel Trips: Large Companies

On average, large companies sponsored 3.6 incentive travel trips in 2006. One half of the companies sponsored more than three incentive travel trips last year.

- ✓ One-sixth of large companies sponsor a single incentive travel trip per year, while almost one third sponsor 2-3 trips.

Incentive Travel Respondents Companies with Revenues over \$100 million



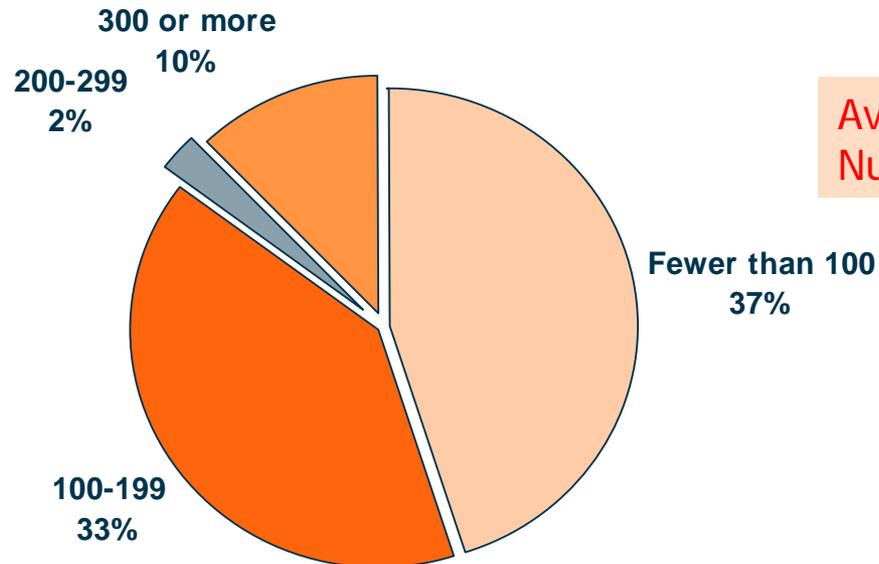
Average Annual Trips = 3.6

Average Annual Number of Incentive Travel Participants: Large Companies

On average, companies' incentive travel programs involved 157 participants in 2006.

- ✓ Almost four-in-ten large companies include fewer than 100 participants in incentive travel programs.
- ✓ One third of large end users include 100-199 participants on incentive travel programs.

Incentive Travel Respondents Companies with Revenues over \$100 million



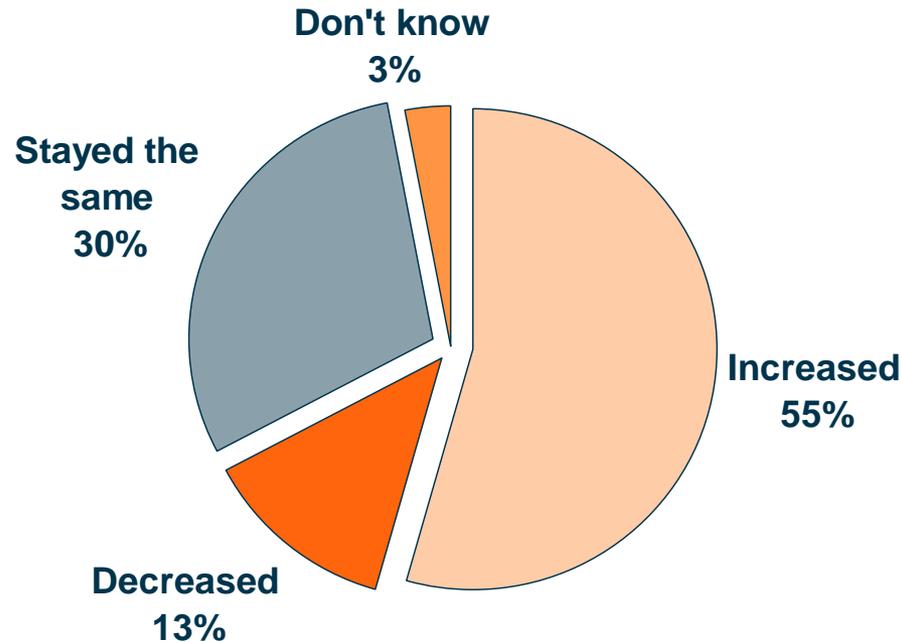
Average Annual
Number of Participants = 157

Incentive Travel Budget Change over the Past Two Years: Large Companies

More than half of large companies state that the budget for incentive travel has increased over the past two years and almost one third say budgets have remained the same.

- ✓ Only 13% of large companies have seen their incentive travel budgets decrease in the past two years.

Incentive Travel Respondents Companies with Revenues over \$100 million

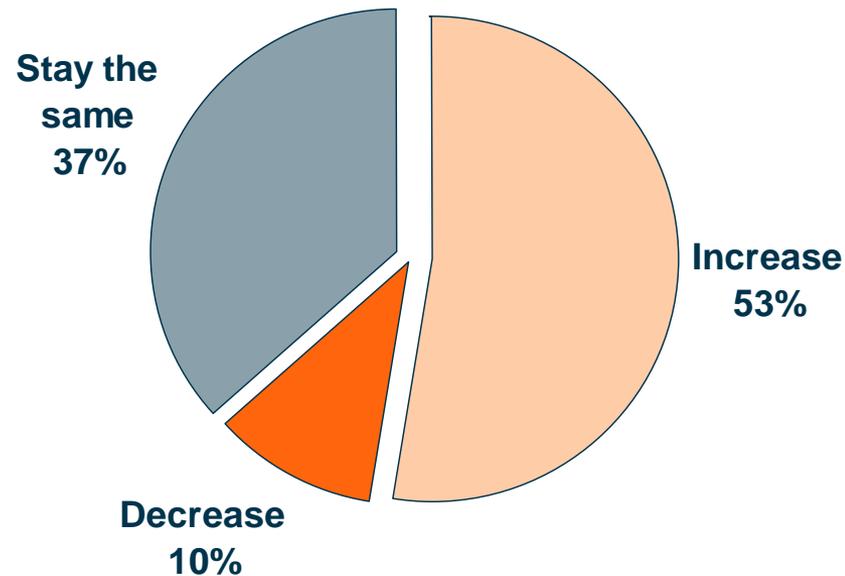


Incentive Travel Budget Change Estimated for the Next Two Years: Large Companies

Respondents do not anticipate a budget decline in the next two years. Half believe spending will go up over the next two years, while 37% are confident their budgets will stay the same.

- ✓ Only one-in-ten end-users is pessimistic about the future of their incentive travel spending.

Incentive Travel Respondents Companies with Revenues over \$100 million

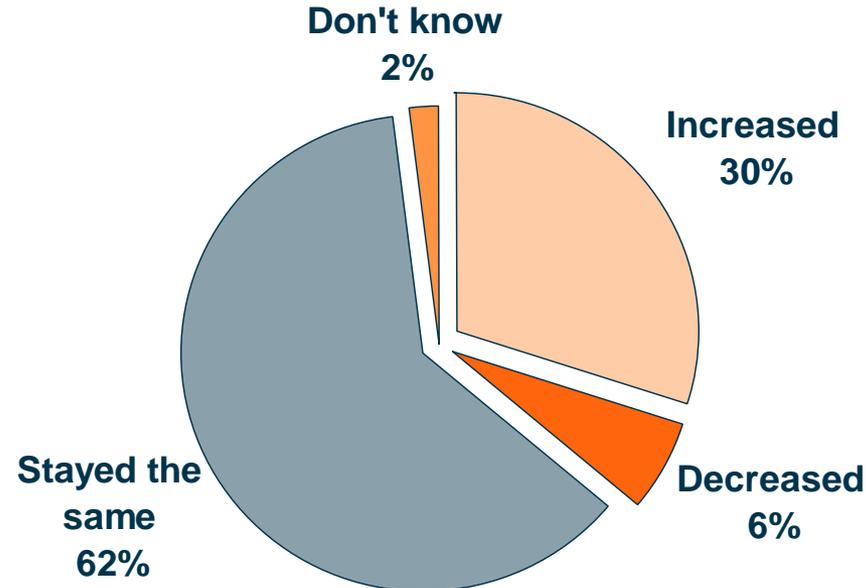


Merchandise Incentive Budget Change over the Past Two Years: Large Companies

Unlike incentive travel, the budgets for merchandise incentives over the past two years have remained the same for just over 6 out of 10 respondents.

- ✓ Three out of ten respondents reported that their budgets increased over the past two years.
- ✓ Only 6% have seen their merchandise incentive budgets decrease in the past two years.

Merchandise Incentive Respondents Companies with Revenues over \$100 million

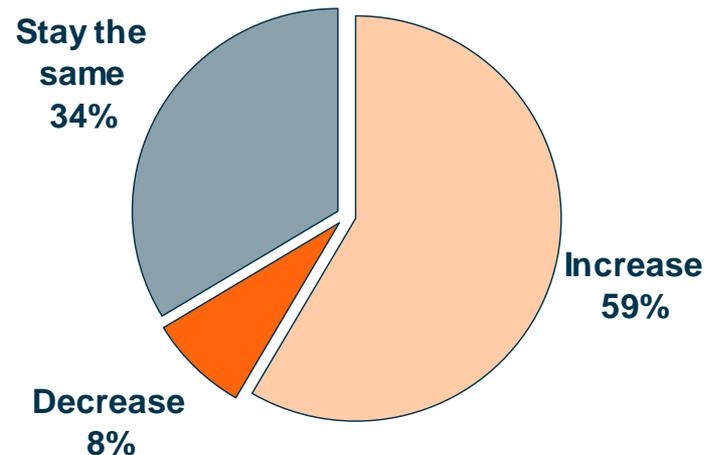


Merchandise Incentive Budget Change Estimated for the Next Two Years: Large Companies

However, most respondents are confident that their budget for merchandise incentives will increase over the next two years.

- ✓ Six out of ten respondents anticipate their budgets increasing.
- ✓ Only 8% is pessimistic about the future of their incentive merchandise spending.

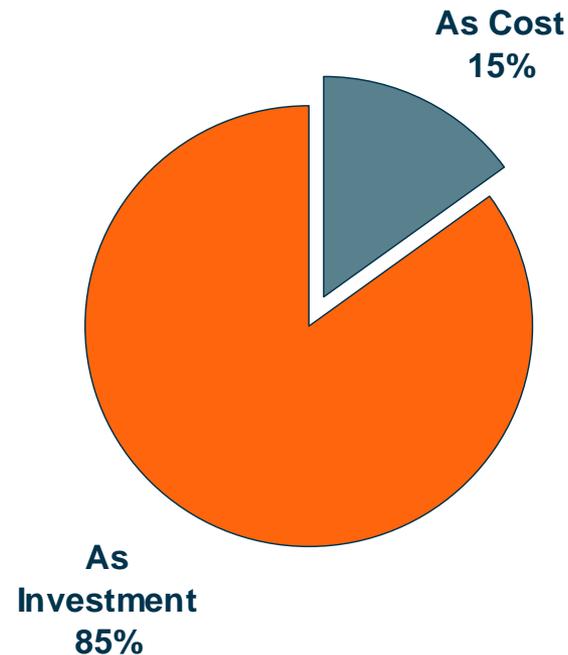
Merchandise Incentive Respondents Companies with Revenues over \$100 million



Management View of Incentive Travel: Large Companies

Incentive travel is seen as an investment by 85% of all end-users. Only one in six views incentive travel as a cost.

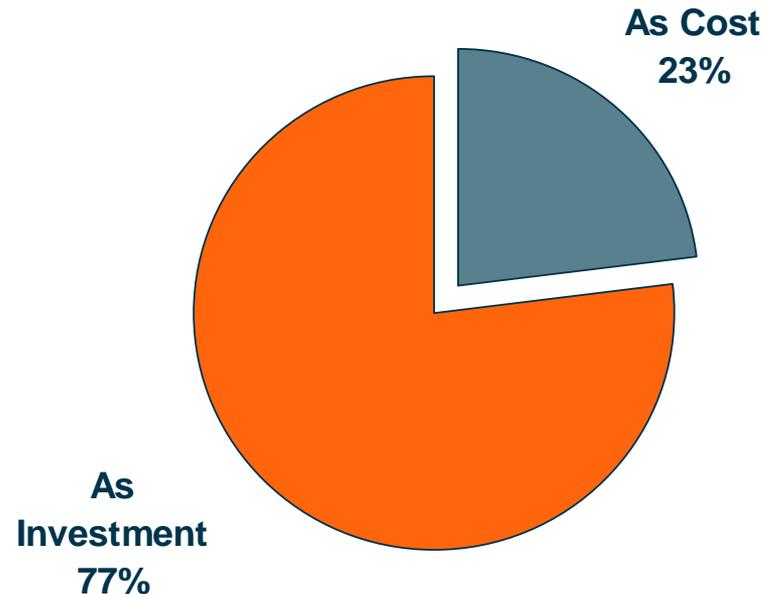
Incentive Travel Respondents Companies with Revenues over \$100 million



Management View of Incentive Merchandise: Large Companies

Merchandise Incentives are an investment for over three-fourths of all respondents. Only one in four views merchandise incentives as a cost.

Merchandise Incentive Respondents Companies with Revenues over \$100 million

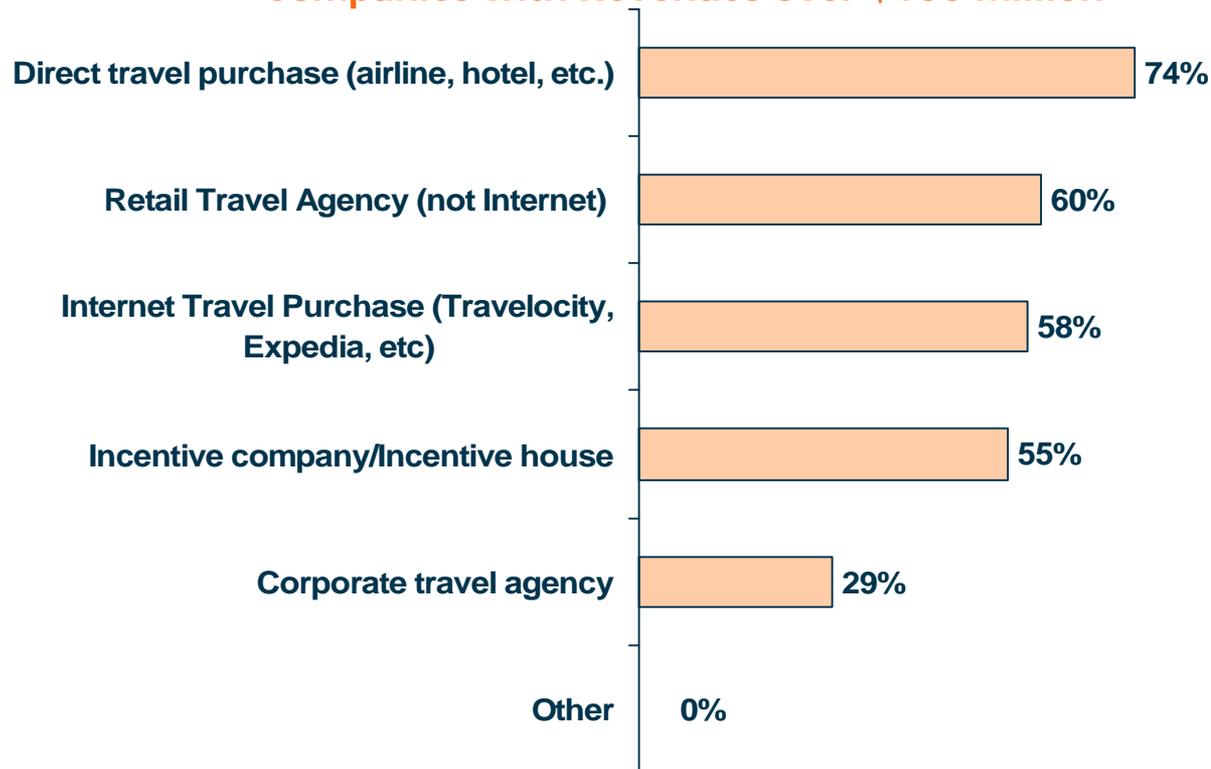


Channels for Incentive Travel: Large Companies

Direct travel purchase and retail travel agencies are most often used as sources for travel incentives.

- ✓ 55% have used an incentive company in the past 12 months

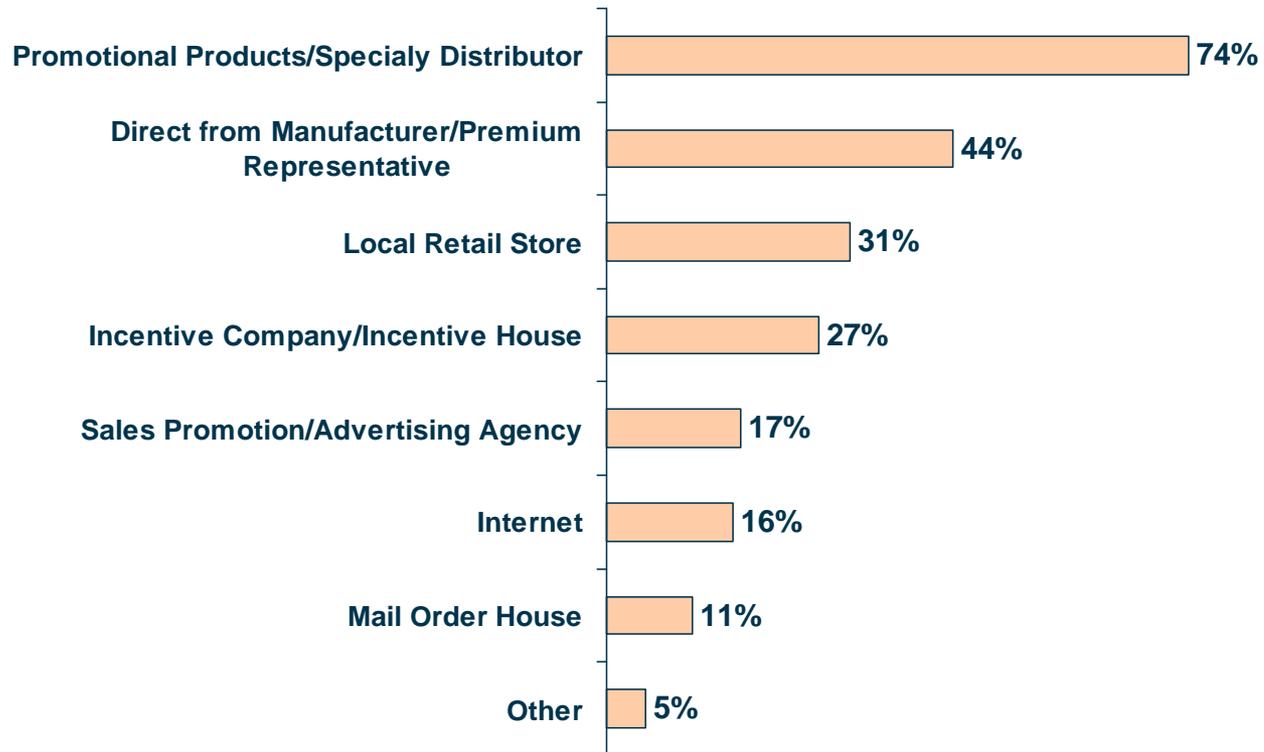
Incentive Travel Respondents Companies with Revenues over \$100 million



Channels for Merchandise Incentives: Large Companies

Merchandise Incentives for motivational programs are most often obtained directly from Promotional Products/Specialty Distributors.

Merchandise Incentive Respondents Companies with Revenues over \$100 million

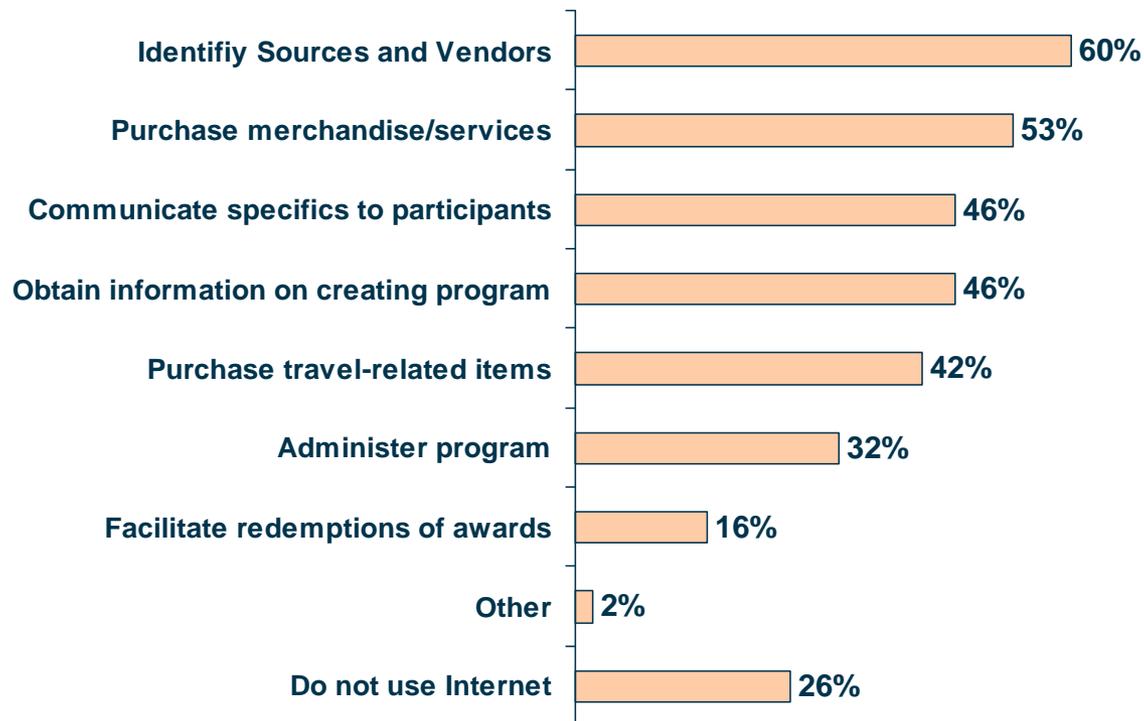


Use of Internet Relating to Incentive Programs: Large Companies

The Internet is widely used for a variety of purposes related to incentive programs.

- ✓ Identifying vendors and making purchases are the most common uses.

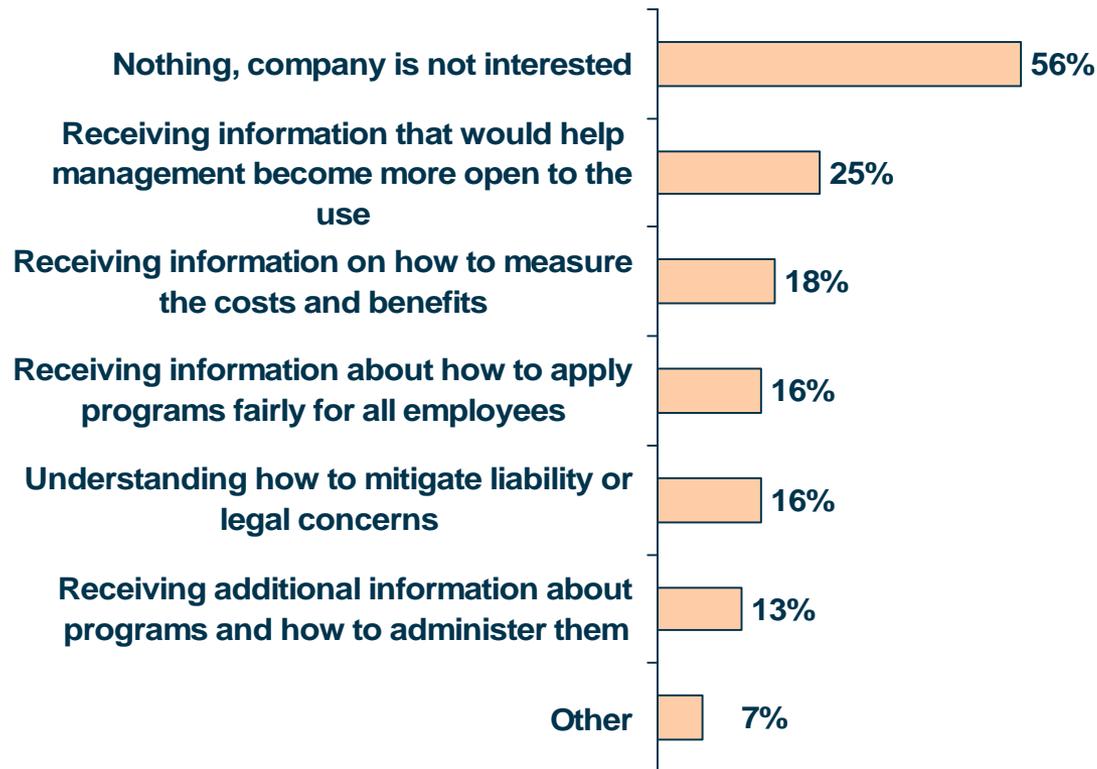
Respondents who use either Incentive Travel or Merchandise Incentives Companies with Revenues over \$100 million



Reasons for not Using Incentive Travel: Large Companies

Most companies that do not use incentive travel are not interested or need more information in order to make management more open to it's use.

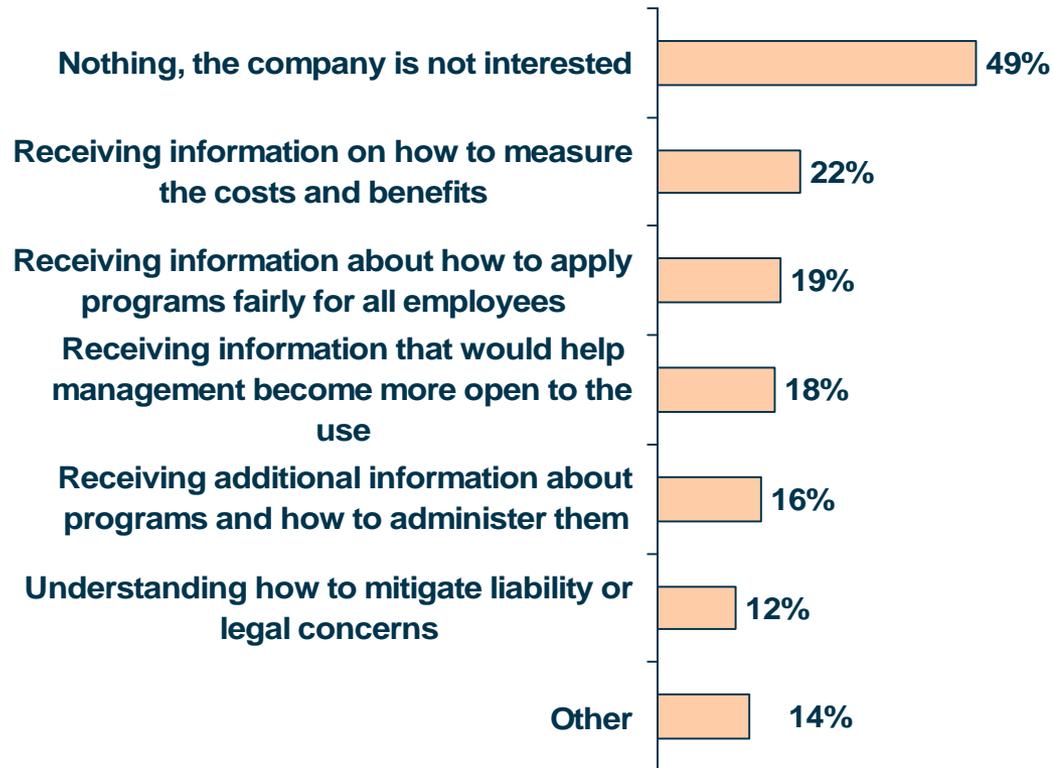
Respondents who do not use Incentive Travel Companies with Revenues over \$100 million



Reasons for not Using Merchandise Incentives: Large Companies

Similarly, most companies that do not use merchandise incentives are not interested or need more information on how to measure the costs and benefits.

Respondents who do not use Merchandise Incentives Companies with Revenues over \$100 million



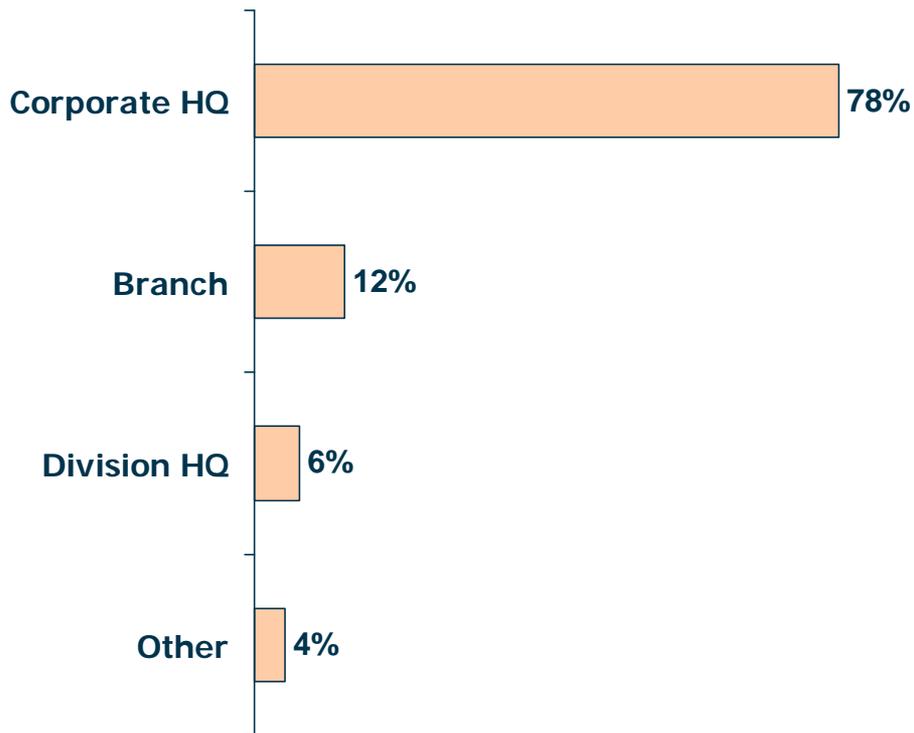
Appendix

Respondents Profile

Respondent Work Location

Unweighted Responses

Total Respondents

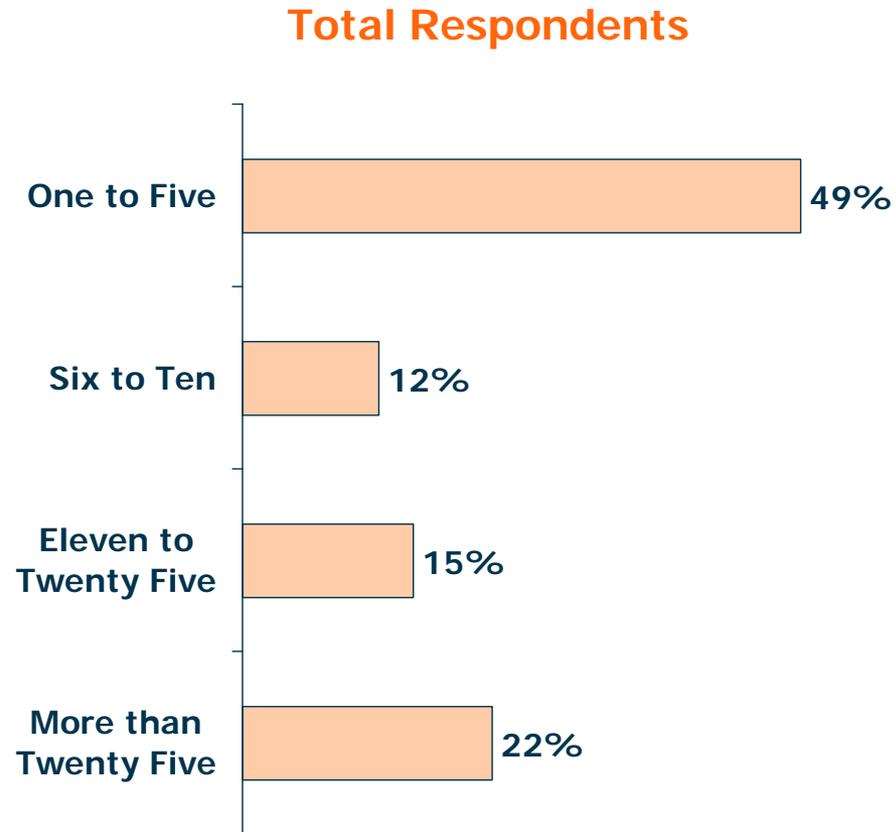


Type of Incentive Used

Incentive Type	Incentive Travel (%)	Merchandise Incentive (%)
Corporate HQ	76	75
Branch	14	14
Division HQ	8	6
Other	3	6

Number of company locations in the United States

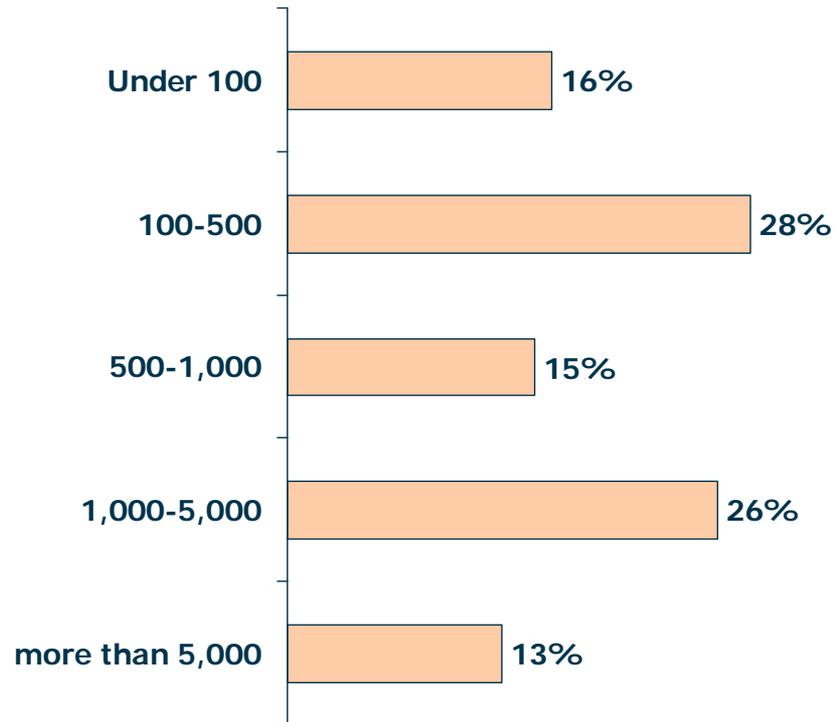
Unweighted Responses



Number of Employees

Unweighted Responses

Total Respondents



Revenues of Firm

Unweighted Responses

Total Respondents

