

# Travel Incentives... How They've Changed!



There's nothing like a sharp recession to change the way an industry such as the world of travel incentives reacts when business in general goes into a tail spin. A recent survey conducted by the Incentive Research Foundation (IRF) and entitled "The Incentive Industry Trends Outlook for 2009" found some very revealing facts about what lies ahead for incentive travel for 2009 and most likely for years to come.

## FIRST AND FOREMOST

Respondents who participated in the survey overwhelmingly agree (78%) that the economy will have a negative impact on incentive travel programs, and that these programs' budget will suffer decreases in 2009. With regard to travel incentive programs...

1. To enhance the air transportation component, included in programs will be...
  - a. All costs for air transportation.
  - b. Round trip airport transfers.
2. There will be a shift from international to domestic destinations.
3. There will be a reduction in the number of days/nights,
4. There will be a reduction in the number of rooms
5. A decrease in on-site inclusions per participant.

Along with these budget items respondents also agreed that there will be cuts in: incentive program on-site gifts, number of total qualifiers, award budgets, and incentive program non-meal components.

## THE FINANCIALS... KEY TO CHANGE

A whopping 86% of the survey participants felt that their company's financial forecast influences the design and implementation of incentive programs. And herein really lies the key to the way incentive travel has changed. When times are good

## EXAMPLES OF LEGITIMATE PURPOSES FOR INCENTIVES, MEETINGS AND EVENTS

- Effective product launches to educate sales force, channel partners and customers.
- Sales conferences and employee meetings to align vision, strategy and tactics.
- Training and staff development meetings – learning environments conducive to adult learning and professional development, improving participants' skills at their trade and/or their familiarity with the company's products or services.
- Employee recognition programs to motivate and reward employees for achievement and productivity.
- Professional conferences that provide networking, education and best practice sharing across companies and industries.
- Performance incentives with clear rule structures that are designed to motivate and reward high performers for exceeding established goals that generate incremental revenue growth for their respective organizations and that are beyond the investment in the program.
- User conferences for customers utilizing the company's products or services to obtain feedback, build networks, provide product training and capture ideas for enhancements to the company's product offerings.
- Product development events designed to generate feedback for

and the revenue is flowing there is not as much scrutiny as to where and how budgets are spent. Even though a properly designed incentive program would use the incremental revenue from the increases to pay for the incentive trip. In today's economic climate this is not the case because while one area of a company may be doing well other areas of a corporation's revenue may be down and may not be producing a profit. Because the total picture is really what counts, if revenue in general is down it will be hard to get approval for that incentive trip for a company's top performers.

Couple the tightening of the belt with the sensitivity by the industry that deluxe travel is excessive and extravagant and you can understand that incentive travel programs will most likely never be the same. Because of this perception several travel industry associations banned together to set some guidelines that companies could follow, especially those who have received emergency funds from the government. There are two sets of guidelines, (see sidebars) one is a model for a companies Board policy for approval of incentives, meetings and events and the other is examples of legitimate business purposes for holding the above events.

Based on the above research and guidelines the change in the way incentive travel is designed and implemented is here to stay. No doubt the motivational power of a travel incentive will not change but the way a corporation positions this vital marketing tool will. ●

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research and development purposes.

- Corporate-sponsored events that further charitable purposes.
- Trade shows and similar events that bring prospective buyers and sellers together.
- Strategic, business and financial planning and review meetings.
- Employee meetings as a result of company mergers and/or acquisitions for the purpose of alignment of products, brands and cultures.

## BOARD POLICY

1. General policy statement: The CEO shall be responsible for implementing adequate controls to assure that meetings, events and incentive/recognition travel organized by the company serve legitimate business purposes and are cost justified.
2. All proposed meetings, events and incentive/recognition travel organized by the company must serve one or more specified legitimate business purposes (see representative listing attached). Each proposed meeting, event or incentive/recognition travel with a cost exceeding \$75,000 must be supported by a written business case identifying a specific business purpose.
3. Total annual expenses for meetings, events and incentive/recognition travel shall not exceed 15 percent of the company's total sales and marketing spend.
4. The amount spent for an employee performance incentive/recognition event shall not exceed two (2) percent of the total compensation of eligible participants or 10 percent of total award earners' compensation.
5. The process for approving meetings, events and incentive/recognition travel, and the procedures for assuring adherence to this policy, will be subject to independent audit to confirm policy adherence.
6. At least 90 percent of incentive program attendees shall be other than senior executives (as defined by applicable Treasury Department guidelines) from the host organization.
7. Performance incentives shall not promote excessive or unnecessary risk taking or manipulation of financial results.
8. All internal meetings or events attended only by senior executives (as defined by applicable Treasury Department guidelines) and/or board members shall be devoted to specific business purposes, and participating senior executives shall be responsible for any expenses incurred for non-business related activities.
9. The CEO of the company shall certify to the board at least annually that the foregoing policies are being followed, and are sufficient to provide reasonable assurance that the company's expenditures for such purposes are not excessive.
10. These policies shall be subject to modification only with board approval stating the specific business rationale for the change in policy.