



# Incentives Move Business

## INCENTIVE TRAVEL: THE SMART BUSINESS PROPOSITION

The one simple but compelling reason why incentive travel is used by successful companies is that **it works**.

- For every dollar spent in travel, businesses benefit from an average of \$12.50 in increased revenue and \$3.80 in new profits.<sup>1</sup>
- An employee's total base compensation would need to be increased by 8.5% to achieve the same effect as from incentive travel.<sup>2</sup>
- Though people may say they prefer cash, non-cash rewards are two to three times more effective than cash rewards.<sup>3</sup>

Management reasoning has evolved beyond traditional compensation as a means to increase employee engagement and productivity. The Institute for Human Resources found that *"Recent studies by McKinsey, Aberdeen and others seem to indicate an increasing focus from executive and sales management on non-cash rewards and recognition. McKinsey's recent report .... finds strongly in favor of non-cash motivators ... and lists these motivators as being more effective than the three highest-rated financial incentives (i.e., cash bonuses, increased pay base, and stock options)."*<sup>4</sup>

Why? Because non-cash incentives, particularly travel, capture employee attention. *"... Employees think more frequently about these awards—even when they are an equal value to cash—and ... the increased interest leads to higher performance."*<sup>5</sup>



The mission of the Site International Foundation is simple—to enhance the awareness and effectiveness of motivational experiences and incentive travel, thereby increasing use globally. Join us in this effort to raise funding for research and educational programs that enhance the effectiveness of the professionals in our community.

# Incentive Travel: The Smart Business Proposition

## What does it mean?

Travel incentives and motivational events comprise a business tool proven to change behavior, to improve profit, cash flow, employee and customer engagement and various other business objectives. When properly designed and delivered they create a measurable and verifiable return on investment.

## Why do businesses use it?

Incentive travel programs have been proven to increase sales, boost productivity, retain customers, hold on to top talent, increase company loyalty, promote teamwork and decrease turnover among other results.

## What do participants say? Does it work?

Research into participants' views of incentive travel programs shows that it is highly effective in impacting their performance. Similar research with sponsors of such programs shows that it has positive bottom line impact and achieves other goals for the corporation.

## The need for motivation

Companies today face more varied challenges—challenges first caused by worldwide recessions and then triggered by slow recovery. According to a Towers Watson study, companies are having difficulty attracting and retaining the high-potential and critical-skill employees needed to compete globally. *“Almost three in four organizations report difficulties attracting critical skill employees, and more than half report difficulties retaining them.”*<sup>6</sup> Even more important, according to a WebProNews article, it costs 30-50% of the annual salary of entry-level employees, 150% of middle level employees and up to 400% for specialized, high level employees to replace an employee.<sup>7</sup>

Eric Friedman, CEO of eSkill Corporation, believes that *“No matter what kind of business you are in, you should look into incentive programs. They have been shown to be highly beneficial in motivating employees, and a major benefit is that the cost can be based on actual performance and paid out only after an employee has reached the desired goal.”*<sup>8</sup>

He cites an International Society for Performance Improvement study that found incentive programs can *increase performance of an individual by 22% and of a team by 44%.*<sup>9</sup> Similarly, companies that recognize their employees outperform companies that do not by 30 to 40 percent; increased employee

commitment could lead to 57% more discretionary effort.<sup>10</sup> Both statistics confirm a clear benefit to achieving a competitive advantage.

## The importance of program design

Often stories of failed incentive programs—particularly travel programs—are stories of poor program design in areas of rules structure, award selection, promotion, etc. Understanding the objectives of the program, how they align with overall compensation and recognition programs, and recognizing the wishes of the audience are key to the program's success. Programs based on managements' ideas of what motivates their employees are frequently doomed from the start.

Incentive programs must be viewed by participants as worth the effort in order to be successful. Fairness and clarity of goals, as well as their achievability, are prime considerations. The impact of such objectivity was demonstrated in a recent survey of incentive travel program participants (both qualifiers and non-qualifiers). Ninety-five and a half



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percent (95.5%) of qualifiers said they were *somewhat motivated, motivated or extremely motivated* to earn the reward. Surprisingly, 90.7% of those who did *not* qualify nevertheless found it similarly motivating. Realize that feedback was from those who *did not* achieve their goal. And yet, 67.5% of non-qualifiers said they would work harder in order to qualify in the future.<sup>11</sup> This points to a measurable level of engagement.

A related survey<sup>12</sup> underscored elements of program design that management should take into consideration:

- 70.7% valued the opportunity to experience something they could not do on their own
- 85% favored increased trip duration
- 70% wanted more choice of destinations with a majority favoring changing trip destinations periodically
- 70% favored fewer mandatory company functions
- 74.5% called for more time at leisure

This points to the fact that through intelligent and thoughtful travel program design, it is possible to deliver even more impact and engagement at less cost.

A report from the Hay Group cites the fact that 82% of the Fortune 500 World's Most Admired Companies reinforce their

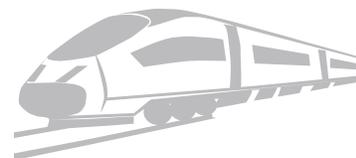
reward programs with strong and frequent communication—another key part of program design needed to reinforce the drive and excitement generated by a program.<sup>13</sup>

However, one size does not fit all. It is important to recognize that each organization is unique. What appeals to some may not to another. A Maritz Travel study conducted with LIMRA, an association for financial services and insurance industries, found some idiosyncratic results. *“According to the study, agents most often want to escape somewhere relaxing with no schedule or demands on their time ... there was an expressed desire to share a getaway with a spouse or guest, to be treated like a celebrity and to go somewhere unique or different.”*<sup>14</sup>

Yet, a group with different demographics or at a different maturation point in their use of incentive travel might respond differently.

An open-ended program is one where the number of qualifiers is not finite; anyone who achieves the objective qualifies. Such a program designed for Pacific Life resulted in two-thirds of mid-level performers—those who are generally the most difficult to motivate—contributing almost 80% of total sales growth for the year. They created \$14 million in incremental profit. And overall sales growth increased 47%, three times the industry average.<sup>15</sup> This clearly demonstrates the power of travel as a motivator.

If a program's objective is to attract and retain employees, a look at the results of a participant-centered survey shows that 72.4% of qualifiers had an increased sense of loyalty to their company—that sense



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of belonging that makes good employees stay where they are.<sup>16</sup>

Motivational travel incentives have the added advantage of being self-liquidating. A properly designed and delivered program pays for itself from the incremental revenue and profit that it produces. A *USA Today* article reflecting Eric Friedman's assertion said, *“BMW North America doesn't plan to tinker with its incentive travel program for dealers, general managers and salespeople because the company believes they pay for themselves ...”*<sup>17</sup>

Two additional attractive elements of incentive travel programs are that the actual return on investment can be measured and the reward is granted only if and when the goal has been reached. Compared to advertising, direct marketing and event marketing, incentive programs have the highest level of cost accountability.<sup>18</sup> When a 2011 survey asked providers *“With what frequency do you or your clients most commonly track the Return on Investment (ROI) of a program?”* 24.7% responded *Almost all the time* or *Always*. Similarly, 23.2%



reported measuring return on objectives (ROO) *Almost all the time* or *Always*.<sup>19</sup>

### Summary

Incentive travel works. It has the proven ability to achieve many corporate objectives, but like most serious business strategies, it requires knowledgeable design and execution. This is a task for professionals at every stage in the process. Choosing a destination and an itinerary that are attractive to the audience is but a small part of the design that should be determined only after understanding what motivates the target audience and setting achievable outcomes. It is at this point that the right destination solutions can be evaluated and designed.

As the Site International Foundation reported, *“The spirited intentions and business objectives of today’s incentive travel programs are as diverse and unique*

*as the participant base itself ... When you combine all of these elements together, we have a significant melting pot effect of incentive travel objectives, stakeholders and participants. Traditional approaches can greatly impede an organization’s ability to consistently and effectively drive targeted participant behaviors as a result. The urgency to identify and adopt new approaches has never been greater.”*<sup>20</sup>

Motivational programs demand cooperative effort among corporate managers who identify objectives, skilled planners who can create the program to achieve those objectives and experts who can deliver a reward that will be meaningful, motivational and memorable. They come together to create an incentive travel experience that generates bottom line results for the client because ... **incentives move business.**

Site is the international association for the motivational events industry, comprised of some 2000 members in 90 countries globally. Worldwide, it is the recognized source of expertise, knowledge and personal connections that drives the growth of this industry.

The Site International Foundation exists to facilitate research, trend analysis and educational program support for motivational event professionals. It is the forum for a body of knowledge dedicated to those advancing the financial health and well-being of corporations as they seek strategic solutions to the challenges of doing business domestically and globally in this ever-changing world.

### Learn more at:

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### Footnotes

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