

WHITE PAPER EDITION 1



CORPORATE *THE CHANGING FACE OF INCENTIVE TRAVEL* **INsites**

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NOTE FROM TERRY MANION, PRESIDENT, SITE FOUNDATION



Terry Manion, CIS, CITP
President
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SITE Foundation was established by SITE to raise funds and support research, education and advocacy projects on behalf of the incentive travel industry.

Monies raised by SITE Foundation enable us to make the business case for incentive travel and highlight the transformational potential of travel experiences on individuals, enterprises and communities.

Since 2017 SITE Foundation has invested over \$1.25 million to drive the business case for incentive travel and support professional development within the industry.

Recent projects include:

- Development of certification for mid-manager level incentive travel professionals (CITP)
- Annual publication of the Incentive Travel Industry Index (ITII) with our partners Incentive Research Foundation (IRF) and Financial & Insurance Conference Professionals (FICP)
- Creation and distribution of “Motivate,” an online content repository for incentive travel professionals
- Funding and running The David Riddell Memorial Scholarship
- Ongoing disbursement of grants to individuals, chapters, or companies in the incentive industry

The SITE Foundation is a registered charity holding a 501(c)(3) nonprofit organization status.

NOTE FROM SELINA SINCLAIR, VP, RESEARCH & CONTENT, SITE FOUNDATION



**Selina Sinclair, CITP, CMP,
SMMC**

CEO, Realm, SINGAPORE

As the only industry associations dedicated exclusively to incentive travel, SITE and SITE Foundation have earned a reputation as the indisputable, indispensable go-to source for quality data, information and content on incentive travel in all its myriad guises.

Corporate inSITEs is a survey series undertaken by SITE Foundation in 2021 with responses provided exclusively by corporate professionals whose remits include the approval, oversight, design, planning, execution or delivery of incentive travel programs.

This is the first of a series of White Papers presenting the survey results along with comments and viewpoints from leaders in the incentive travel industry.

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“Covid helped me realize how behind we are as an industry using technology to enhance and complement our live events. There have been so many wonderful things that we are able to do, which were always there, just never applied. From digital swag bags to unique communication touch points, they are all great! But they will never replace a live event.”

“I’ve now understood the extreme value of incentive travel. People want to travel.”

“Trusted relationships are vital to get through a pandemic like this.”

METHODOLOGY

SITE Foundation leveraged contacts and clients of its international Board of Trustees to compile a database of over 100 US-based professionals working in Finance & Insurance, Automotive, FMCG, ICT, Pharma, Direct Selling, Consulting and 10 other industry verticals.

These professionals were personally approached by SITE Foundation Trustees and 89 corporate executives agreed to participate in the survey, which will be issued multiple times in 2021.

8-10 questions are posed for each survey, with the core set of questions remaining the same for each edition to provide vital insights around emerging trends.

Questions ask for the corporate perspective on:

- Types of incentive travel and their likely increase or decrease in frequency over the next 3 years
- Impact of the pandemic on reward and recognition programs
- Time frame for resumption of domestic or international in-person meetings, events and incentive travel experiences
- Changes being made to design of incentive travel program in light of the pandemic

- Attitude of corporate C-suite toward the resumption of incentive travel programs
- Considerations and criteria for selecting a destination in post-pandemic world
- Biggest, most important learning as a result of the disruptions caused by Covid-19

The survey was presented on Survey Monkey and was fielded in early April 2021. Each of the 89 individuals who agreed to take the survey received the survey four times, in both HTML and plain text formats, and 50 complete responses were received.

The responses included free-form answers to two questions:

- What has been your biggest, most important learning as a result of the devastation, changes and disruptions caused by Covid-19?
 - Regarding the changing face of incentive travel, please share any question(s) that you would like to see included in the next edition of the survey
-

DEMOGRAPHICS

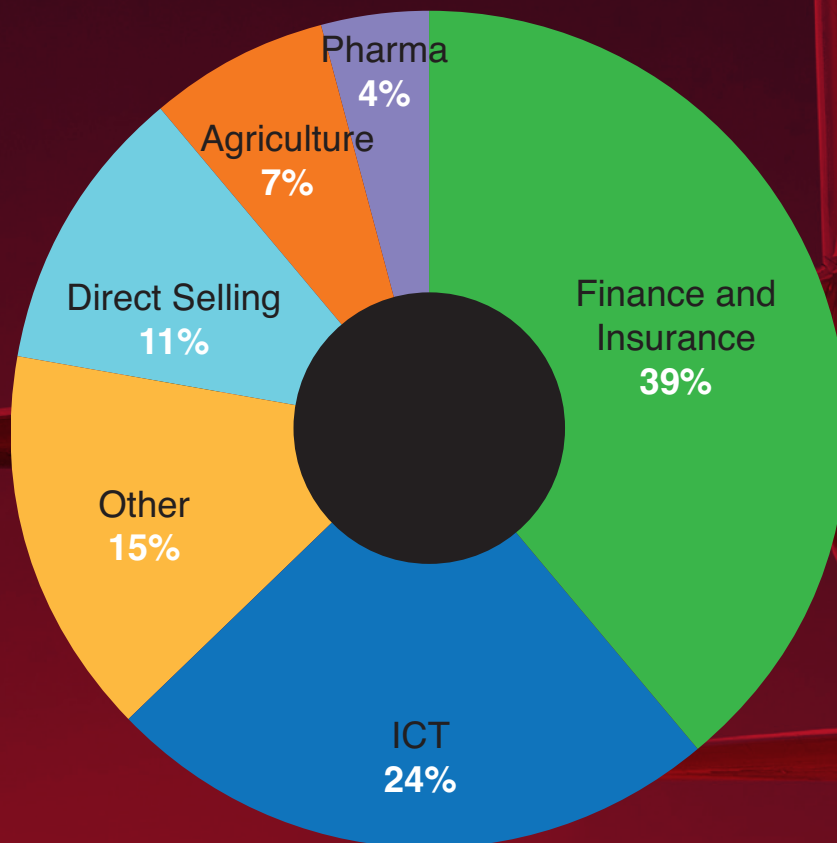


Figure 1: Demographics

ASSUMPTIONS

The 89 corporate specialists who agreed to participate in the survey are all personally known to SITE Foundation's Board of Trustees.

They are all intimately involved in the approval, oversight, design, planning, execution or delivery of incentive travel programs but, in most cases, this is not their only responsibility within the corporation.

Most are also involved in the organization of corporate meetings and events and many have remits that include wider HR and marketing deliverables.

Questions in our Corporate inSITES survey also touch on corporate meetings and events as they provide an interesting counterpoint to the incentive travel activity, particularly in relation to the question: which will recover first, corporate meetings or incentive travel programmes?



KEY THEMES

1. BELIEF IN TRAVEL REWARDS REMAINS STRONG IN CORPORATE AMERICA

The Incentive Travel industry and supply chain – agencies, intermediaries, DMCs, destination products and services – exist to service corporations who believe that a travel reward brings indispensable benefits to their organization. Without that belief, purely and simply, there's no industry.

That's why this particular chart is both so important and so encouraging. We asked our survey cohort to share how committed, or otherwise, the leadership of their corporation was to incentive travel as a key part of their reward and recognition program.

94% of the 50 companies surveyed state that they are 100% supported by the leadership.

This positive sentiment is borne out, too, by responses to the question on what types of incentive travel are increasing or decreasing.

Reflecting the changes imposed on our industry by Covid-19, five different "types" of incentive travel programs were identified –

1. Classic or "pure" incentive with no corporate meeting component
2. Classic incentive with a corporate meeting component
3. A meeting with a motivational element such as a rewards gala
4. A virtual reward
5. A hybrid reward program combining in-person and virtual elements

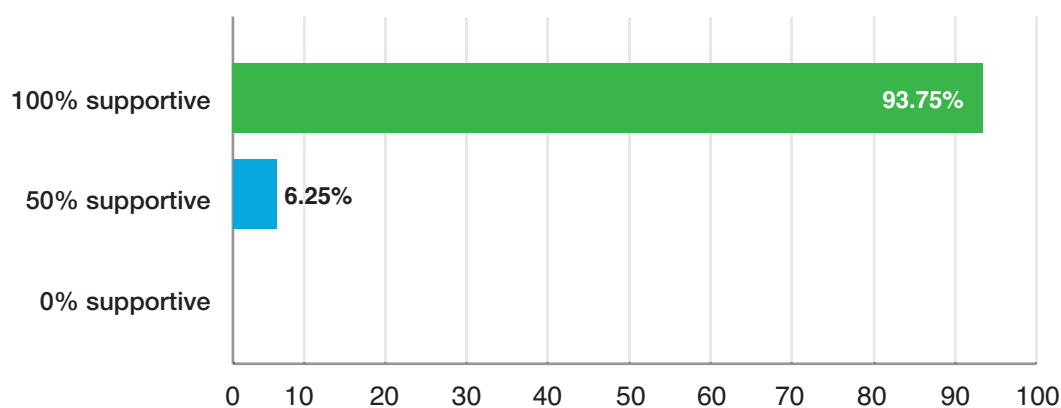


Figure 2: Level of support for incentive travel from company leadership

We know that many in-person incentive travel programs were replaced in 2020 by virtual recognition programs with dinner boxes and cocktails delivered to qualifiers' homes and ceremonies taking place on-line.

Some companies awarded individual travel certificates to qualifiers, allowing them to undertake bucket-list travel experiences at a convenient time over the next number of years.

Figure 3 below shows negligible levels of decrease for classic in-person incentives over the next three years amongst the 50 corporations, with both categories

reporting net increases of 18% and 12% respectively.

Virtual reports a net decrease of 14% but hybrid reports a net increase of 18%. While corporates' experiments with Virtual seem to have been unsatisfactory overall – this category reports the single biggest percentage decrease (34%) of all categories – there were, obviously, some efficiencies achieved that can be incorporated into Hybrid, the category reporting the single biggest increase (32%) of all categories.

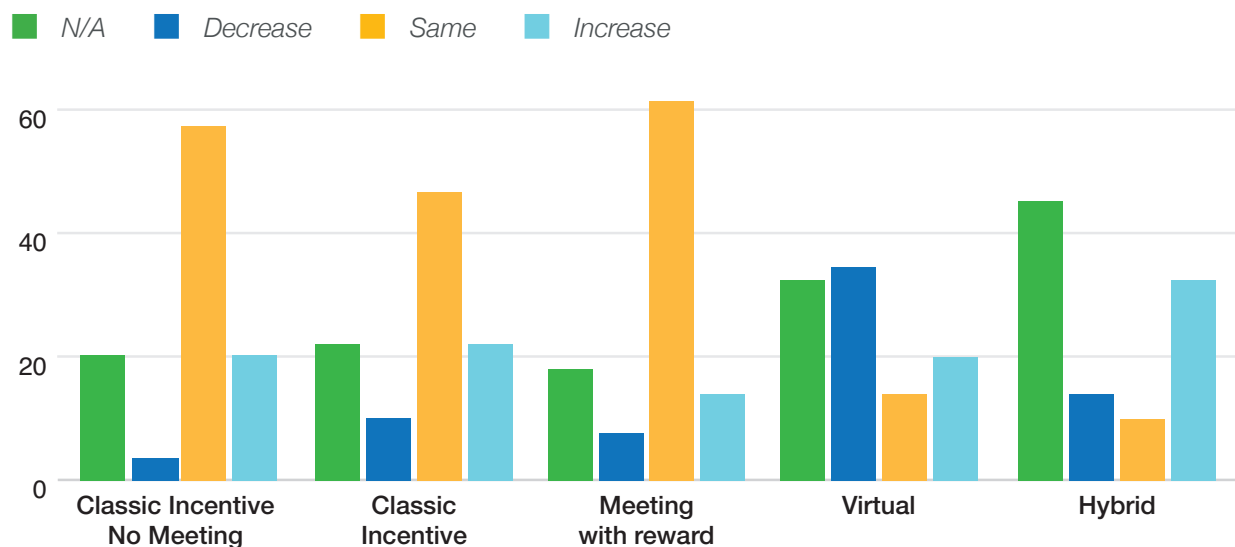


Figure 3: Increases or decreases according to type of incentive

2. THE POWER OF HUMAN CONNECTIONS IS DRIVING A RESOUNDING HUNGER TO MEET

Research undertaken under the Incentive Travel Industry Index (ITII) in September/October, 2020 by SITE Foundation, in collaboration with Incentive Research Foundation (IRF) and Financial & Insurance Conference Professionals (FICP), reported a fall in the incidence of live incentives by as much 80%. This fall reduces, on average, to around 40% in 2021 but only recovers to post-pandemic 2019 levels by 2023.

Here, 71% of the 50 US corporations who participated in the April 2021 survey state they replaced their 2020 travel incentive with another reward. Importantly, only 31% report the 2021 travel incentive will be replaced by another reward, indicating a significant improvement in positive

outlook between September 2020 and April 2021.

Encouragingly for the global incentive travel industry, 82% of our cohort is actively planning in-person travel incentives for 2022 and beyond, with only 2% of respondents reporting any permanent swing away from in-person incentive travel. The three-year gestation from recovery, forecast in ITII in September, is clearly reducing, with a two-year recovery looking more likely.

What we're seeing here is the equivalent of an unexpected knock-out blow that floors the fighter only for him to rise on the 8th count, regain stability and resume, a little chastened and with lessons learned.

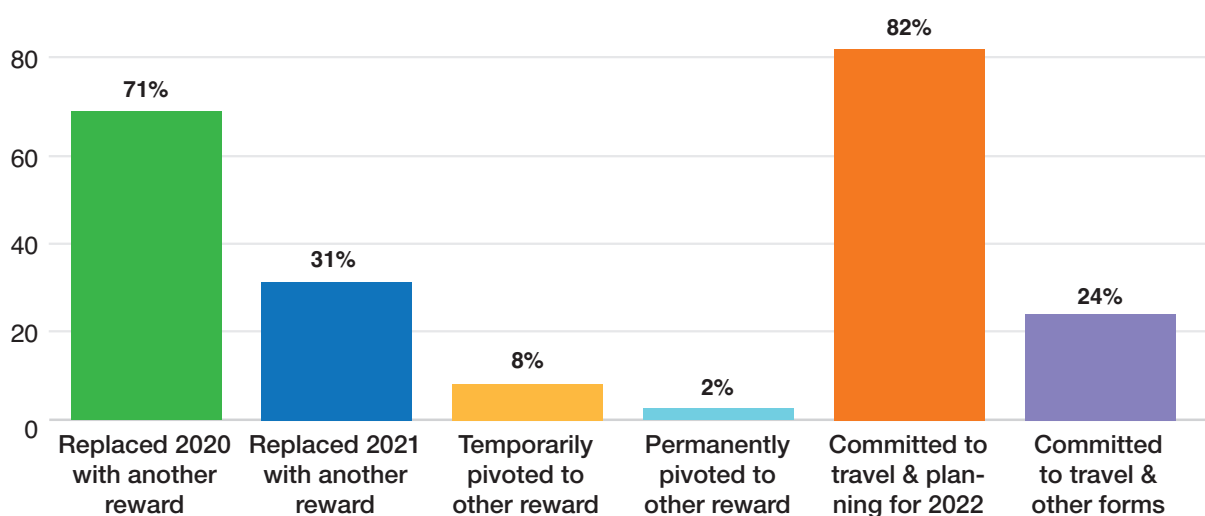


Figure 4: Impact of pandemic on programs in 2020 and 2021

There are multiple stories hidden in this chart – recovery of corporate meetings v recovery of incentive travel, recovery of domestic activity v recovery of international activity and so on.

In broad terms, our US corporate cohort is now forecasting resumption and recovery much sooner than predicted by the ITII report of September/October 2020.

The relative size of the green and blue bars, by and large, denote earlier recovery. The dominance of green and blue here means domestic meetings are resuming this year, with over 80% of respondents stating that they will operate their first post-pandemic domestic

meeting/event in Q3 and Q4, 2021.

Domestic incentives, however, are not so far behind, with about 55% of our respondents planning 2021 delivery. This is positive news for the US-based DMCs who can expect robust activity in Q3 and Q4.

If, on the domestic front, corporate meeting recovery is outpacing incentive travel, then this is reversed when it comes to international events where, counterintuitively, incentive travel is outpacing corporate meetings with over 35% of US corporations operating their first post-pandemic international in-person incentive travel experience in late 2021.

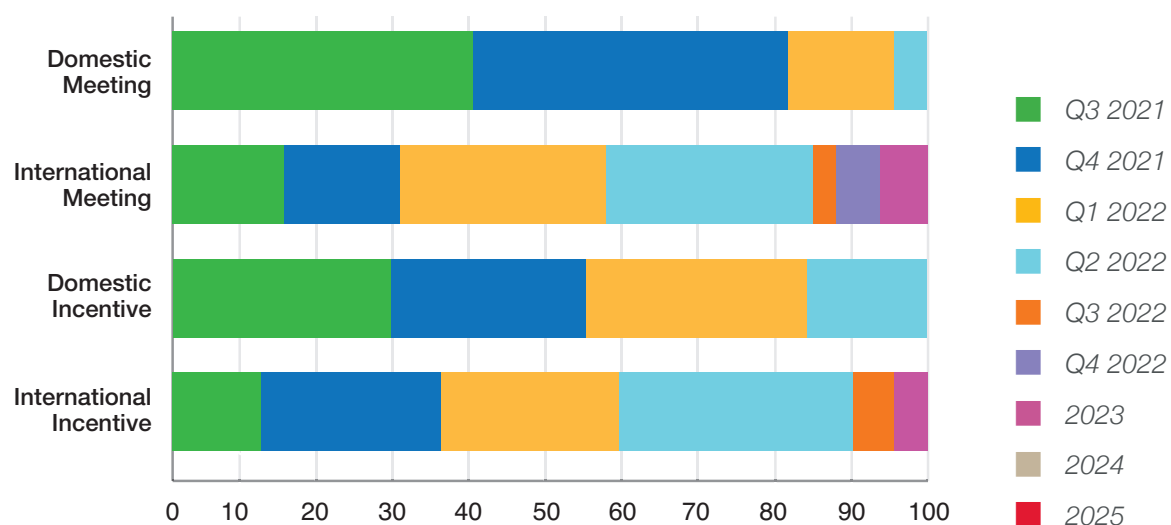


Figure 5: Operation of first post-pandemic program

3. LESSONS LEARNT DRIVE NEW PRIORITIES FOR COMPANIES POST-COVID

The Incentive Travel Industry Index (September/October 2020) characterized Covid as a game-changer for incentive travel, with 86% of buyers stating that incentive travel would be either moderately changed (63%) or fundamentally different (23%).

Corporate inSITES (April 2021) spotlights what, specifically, these changes might be, calling out Contracts/Risk

Management and Destination Selection as the two most important considerations for the future success of incentive travel programs.

These two considerations stand out dramatically above all others, with scores of 8.25 and 7.66, an average of 35% higher than “Better Analytics,” the success factor that was ranked in the 3rd position.

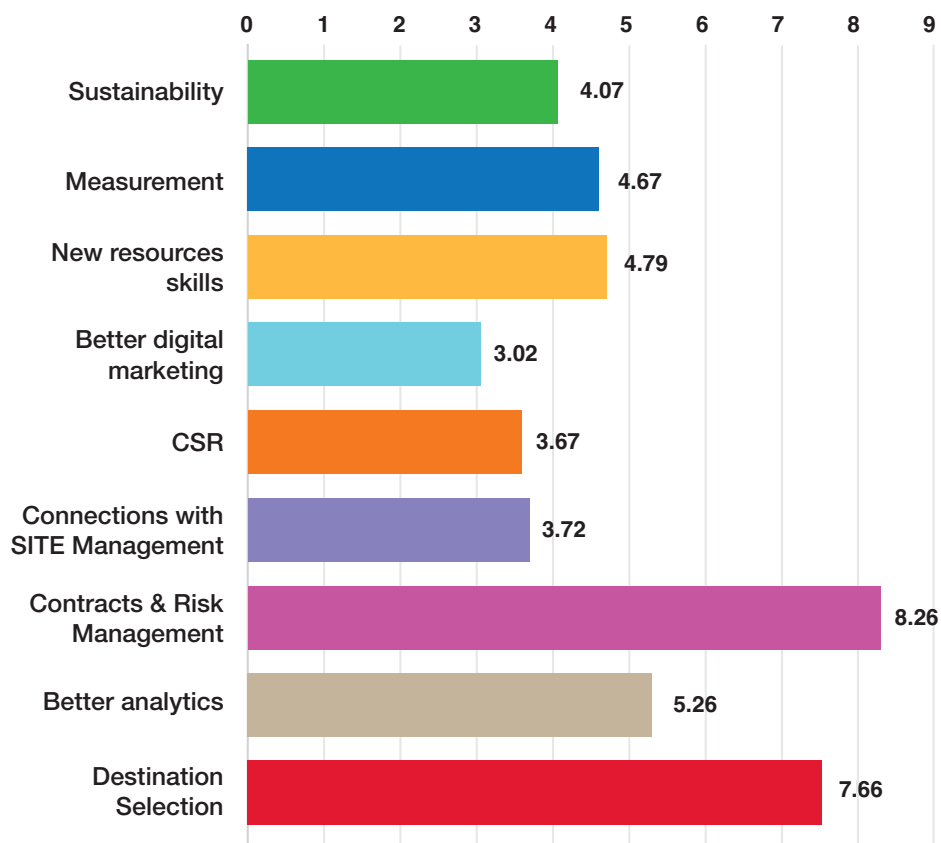


Figure 6: Key success factors for post-pandemic programs

From its onset in March 2020, Covid-19 gave rise to a cascading continuum of incentive travel postponements and cancellations. While many corporations were able to negotiate satisfactory alternatives, some were not, and lost significant amounts of money.

This obviously caused contracts to be scrutinized and led to this “once bitten, twice shy” reaction that is captured cogently in the verbatim responses given by our corporate respondents to the question “What has been your biggest, most important lesson after Covid?”:

- *Force Majeure clauses. There needs to be a well-defined timeline written in to the clause to set clear expectations on when a clause like that can be enforced.*
- *To ensure pandemic text is included in the Force Majeure clause.*
- *Contracts, communicating the unknown.*
- *Upfront contract negotiations and relationships with vendors are imperative.*
- *Negotiate flexible cancellation terms and always have a rebook/resell clause.*
- *Make sure you have an ironclad Force Majeure in place that includes global pandemics.*
- *Force Majeure and strong contract verbiage.*
- *The standard Force Majeure, cancellation and performance clauses that have been used for years need to be updated significantly to address new threats.*
- *Changing the language in contracts and adding language around in the event we need to move to another date.*

Some of the verbatim responses highlight how long-term relationships with suppliers played a positive role in relation to contracts, too:

- *... working with flexible hotel and destination partners who look “big picture” on relationship.*
- *Value of partnerships is critical to work through crisis situations like Covid and determine best scenarios for all parties involved.*
- *The other part that continues to prove to be most beneficial is the power of relationships, whether that’s with a DMC, hotelier, etc.*
- *Be very flexible and agile. Tap into your industry partners more than ever.*

SITE Foundation and other industry organizations have been using a similar list of criteria for destination selection for many years. This provides important historical perspective on changing priorities based on how the prevailing socio-political or economic winds are blowing.

This list includes the following considerations:

- Ease of access to the destination – air, sea, rail, road
- Presence of appropriate destination infrastructure - quality hotels, resorts, venues
- Overall destination appeal – nation brand, image, profile, awareness, weather, landscape, culture, etc.
- Affordability or value for money

- Safety/stability/security
- MICE infrastructure (availability of DMOs, DMCs, and other supporting agencies)

This list can also include destination subvention, or financial supports, if association conferences, as opposed to corporate incentives, are being considered.

Historically, for incentive travel professionals, destination appeal has always been the highest-ranked criteria for destination selection, with infrastructure and value for money usually ranked at 2 and 3.

Corporate inSITEs reveals a significant, if unsurprising, shift with “safety” now eclipsing destination appeal for top spot and value for money disappearing down the ranks to second-last position.

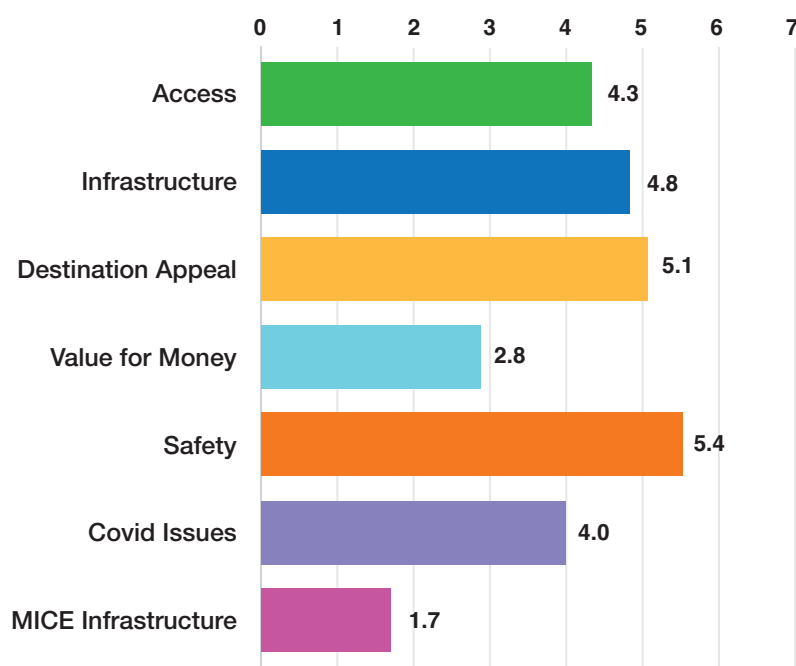


Figure 7: Criteria for destination selection post-pandemic

LESSONS FROM CORPORATE INSITES FOR THE INCENTIVE TRAVEL SUPPLY CHAIN.

DMC VIEWPOINT



Selina Sinclair,
CITP, CMP, SMMC,
CEO,
Realm

Safety is the number one concern as the industry starts to discern the first signs of recovery. The role of the DMC, and our ability to connect, guide and support organizations as they navigate a whole new set of rules, renews and affirms our importance in the supply chain.

While this is good news for DMCs, our biggest challenges may be yet to come.

Labor costs have increased significantly and, post-Covid, further investment will be required to re-design experiences, implement new safety management measures (SMM) and comply with government regulations. And then there's the increased client expectation that programs can be cancelled or postponed, with impunity, without incurring costs.

Finding the right balance to protect both buyers and suppliers while enabling companies to mitigate risks will be an important factor in our recovery. Beyond the tightening of clauses, contracts that enable scenario planning, for example, will be one way to create a sustainable, agile operating environment for all stakeholders.

Dedicating resources and bringing technology solutions to support SMM is a critical first step for DMCs.

DESTINATION VIEWPOINT



Hamish Reid,
Associate Director,
MMGY Hills Balfour

Corporate inSITES shows that US corporations are becoming increasingly attentive and purposeful in relation to destination selection.

Destinations are always evolving. And those that actively encourage and support innovative suppliers and accommodation providers within their destinations will continue to be in demand.

The destinations chosen for incentive travel are generally aspirational and these destinations are not unaware of the emerging and changing wishes of the visitor. Those with long-term tourism growth ambitions will continue to support initiatives that resonate not only with individual travelers, but also with corporations.

Issues such as sustainability will continue to play an important part and aligning destination choice with corporate values will become increasingly relevant.

There is every possibility that emerging travel destinations will become viable incentive options in the near future and that will also ensure the historically popular ones don't become complacent and they too continue to evolve.

The great thing is this will give incentive planners increased choice.

HOTEL VIEWPOINT



Meenaz Diamond
Senior Vice President,
Global Sales,
North and Central America,
Accor

The key findings of **Corporate inSITES** resonate with what we're seeing at Accor with some brands – Fairmont, in particular – already reporting strong demand for Q4 2021 and particularly in relation to high demand dates in 2022. Incentive programs are also competing for space with high-rated leisure demand, especially in the back half of 2021.

In the insightful *verbatim* remarks, the corporate respondents highlight the value of relationships. Despite the pandemic, we retained most of our property-based sales people, and customers have really appreciated the continuity of relationships. This fostered a partnership approach when programs had to be postponed or cancelled and we're now finding that this shared risk mindset is paying dividends as recovery takes hold.

Destination selection is highlighted as a priority by our respondents and the hotel offering is an integral, indispensable element in this. We must continue to invest in new destination experiences and work closely with the destination at large, promoting safety and duty of care across the entire incentive travel experience.

Previous research highlighted the opportunities for 2nd and 3rd tier destinations. It's now time to put marketing dollars behind these locations as compression is already a reality for sun and sand resorts and traditional incentive hotspots for 2022.

AGENCY VIEWPOINT



Jennifer Glynn,
CIS, CITP,
Managing Partner,
Meeting Encore Ltd &
Design N Achieve

Corporate InSITES identifies that the value proposition of incentive travel is clearly understood. While many of our clients are still evaluating the future for corporate conferences and events, they have a clear path forward for their incentive travel and overall recognition programs.

Incentive travel programs are changing and new priorities emerging. New program elements like fitness and mental health coaching, personalized education and CEO roundtables are becoming more prevalent. Creating memories will always be a key success factor for incentive travel programs but qualifiers now want more: they want to be transformed.

The role of supplier partners has also been elevated. Strong relationships have been key to all of us weathering the storm. The 2019 ITII survey reported a decline in the importance of the destination management company (DMC), but the pandemic has shone a light on the indispensable contribution of a strong DMC partner.

Destination selection has also been impacted for the next few years. Some corporations are considering not only the objective risk assessment of a destination, but also the qualifiers' perception and willingness to travel to certain destinations. For the short term, we're seeing 2022 incentive travel programs staying in the qualifiers' country, but 2023 and beyond looking at long haul destinations.



“Virtual will never replace in-person experiences.”

“Adaptability continues to be the most important thing for our industry; however, we have to be creative to keep our audience engaged in new ways, and not just do what everyone else is doing.”

“The experience of virtual events cannot compare to experience of in-person events.”

