

United States Incentive Merchandise and Travel Marketplace Study

Executive Summary

August 2007

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 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 incentive 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 incentive 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 US. The companies included in this study were derived from the D&B universe of U.S. businesses. Overall, 53% of the establishments GfK contacted were interviewed. There were 1,121 interviews completed. Base sizes for the different sections vary.

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 incentive travel numbers reported in both research reports are the same.

Definitions & Notes

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 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.

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

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 dollars.

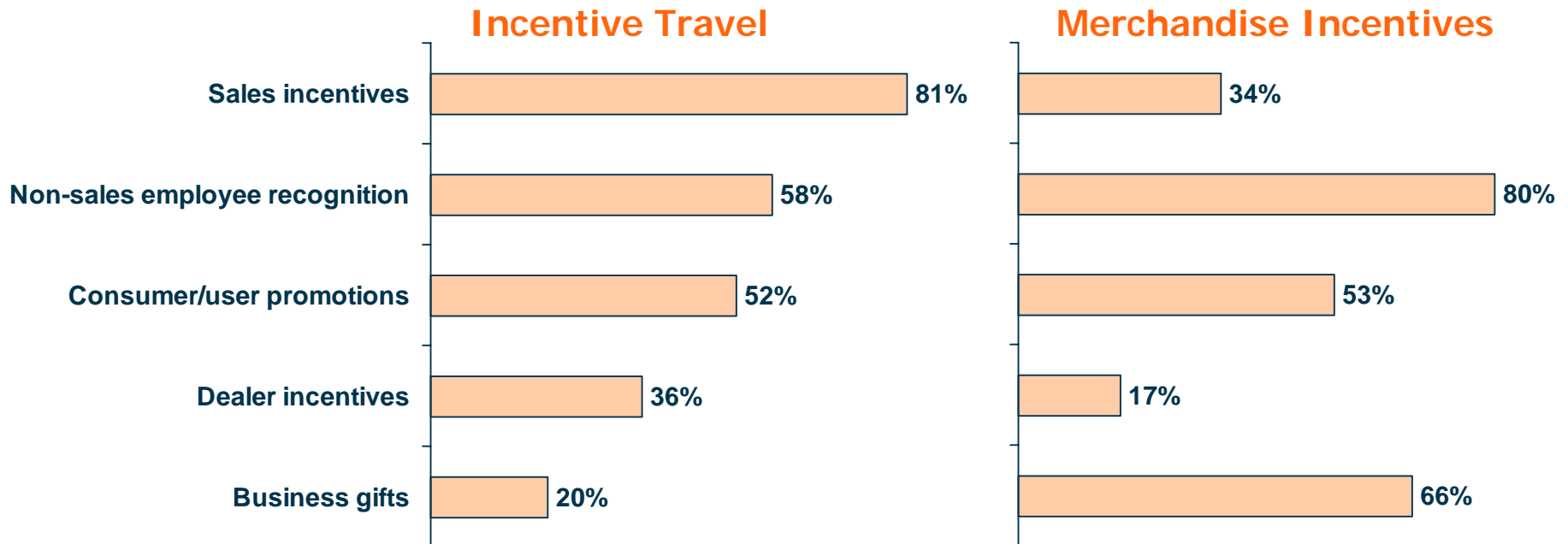
- ✓ Companies using incentive travel spent \$13.4 billion.
- ✓ The market for merchandise incentives was \$32.7 billion.

	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 incentive travel and merchandise. Merchandise for non-sales employees constitutes a fourth of expenditures, travel incentives for sales people 14% and business gifts 12%.

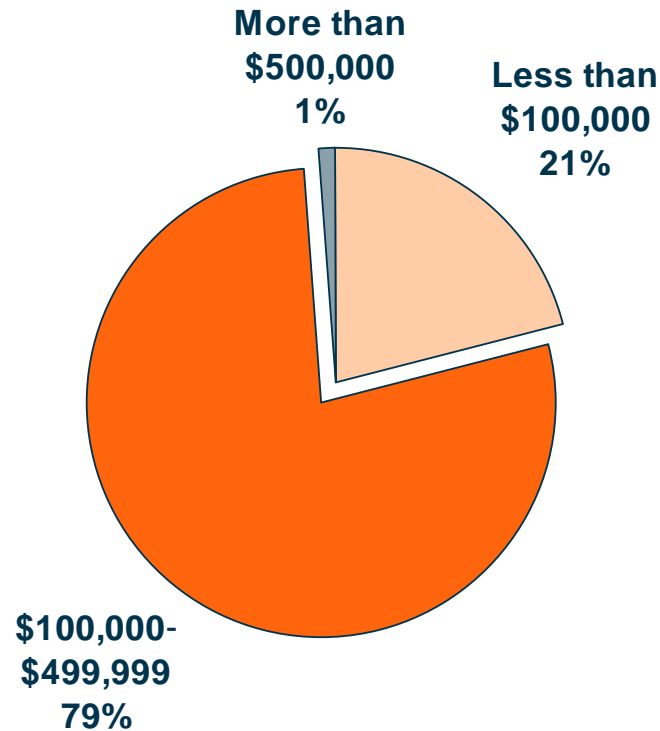
	Total Expenditure Amount in billion 2006	Percentage of Total Expenditures 2006
Customer/user promotions	\$12.60	27%
Sales Incentives: Merchandise	\$5.10	11%
Sales Incentives: Travel	\$6.60	14%
Dealer Incentives: Merchandise	\$0.75	2%
Dealer Incentives: Travel	\$0.80	2%
Non-Sales Employee: Merchandise	\$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 spent between \$100,000 and \$500,000 in 2006.

Average Annual Budget = \$164,271

Incentive Travel Annual Budget



Typical Annual Expenditures for Merchandise Incentives

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

Average Annual Budget = \$119,008

Merchandise Incentives Annual Budget

