

CONFIDENTIAL

***A Study Conducted among Current Users
of
Merchandise and Travel Items
for
Motivation/ Incentive Applications***

Prepared By:



World Incentives, Inc.

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*A Study Conducted among Current Users of
Merchandise and Travel Items for Motivation/Incentive Applications*

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1.0 Background

1.1 Project Overview

The Incentive Federation Inc. has commissioned a survey involving current users of merchandise and travel items for motivational applications. The Center for Concept Development (CCD) was asked to analyze the data collected in this survey and to prepare this report on the survey findings.

1.2 Project Objectives

The overall objective of this study was to gain insight into practices and attitudes among current users of merchandise and travel items for motivational applications. Data from this survey would allow for comparisons with information from the 1999 IFI survey.

The survey gathered information from participants in the following specific areas:

- Current usage of four basic incentive or motivational applications:
 - *Consumer/ User Promotions*: Offers tied to specific products/services; can be merchandise or travel; terms can be free, self-liquidators, at cost, or other.
 - *Sales Incentives*: Merchandise or travel items for sales management, internal and outside sales force, dealer and distributor sales personnel, independent sales representatives, and sales support personnel.
 - *Dealer Incentives*: Merchandise or travel items for dealer principals, distributors, and wholesalers.
 - *Non-Sales Recognition/Motivation*: Merchandise or travel items for safety, productivity, quality control, suggestion box, training/self improvement programs, ride share, team work, attendance, etc.
- Sources of merchandise and travel items used for each of the four motivational applications.
- Methods employed (internal and external) to communicate incentive programs.
- Average cost of merchandise and travel items used in incentive programs over the past 12 months.
- Specific merchandise and travel items anticipated for use in future incentive programs.
- Setting program objectives.
- Factors or issues considered when creating a program for each application.
- Average acceptable sales or performance increases.

- Factors used to base quotas for sales improvement and criteria used to evaluate programs.
- Number and length of incentive sales programs conducted per year.
- Use or non-use of online incentive programs.
- Number of non-sales recognition/motivation programs conducted per department and evaluation methods.
- Participants' thoughts about cash versus merchandise and travel.

1.3 Methodology

In March 2003, questionnaires were mailed to 6000 executives whose names were drawn from two sources: the mailing list of *Incentive Magazine* and the current attendees list for *The Motivation Show*.

Of the 6000 questionnaires mailed out, 540 questionnaires were returned and were able to be included in this study, for a net return rate of 9.0%. The returns came from all areas of the United States.

1.4 Participants in the Study

Almost 7 out of 10 participants whose completed questionnaires were included in this study were in Manufacturing (35%) and Services (33%). The remaining participants represented Finance/ Insurance/ Real Estate (11%), Transportation/ Communications/ Utilities (8%), Retail Trade (7%), Wholesale Trade (3%), Construction (2%), and Public Administration (1%).

Half of the participants in total had over 100 employees in their organization. One-fourth of these (25%) had 1001 or more employees in their organization; another one-fourth (25%) had 101 to 1000 employees in their organization. The remaining participants had 41 to 100 employees (15%), 11 to 40 employees (18%), or had 1 to 10 employees (17%).

About 2 of 5 participants (44%) identified themselves as the Owner of or Senior Management for their organization. Sixteen percent (16%) were Marketing and 11% were Sales. The remaining participants were Other Managers/Other Directors (14%), Secretary/Clerk or Administrator (6%), Human Resources (1%), or had other titles (8%).

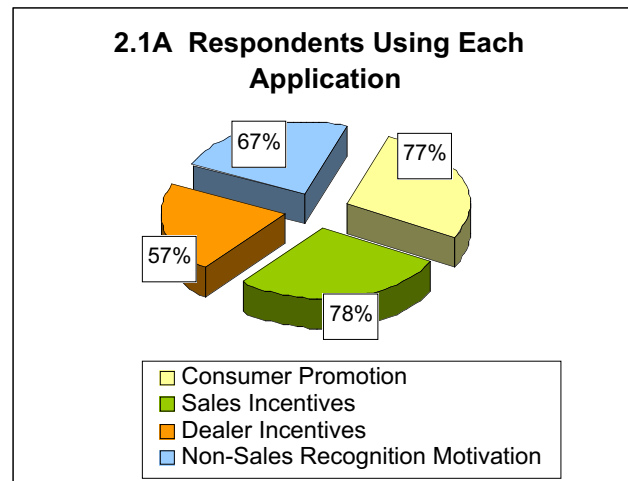
Classification information for participants is summarized in graphic form in the **Details** section in this report (Questions 24-26).

2.0 Summary of Key Findings

Note to the Reader: This section provides an overview of the findings for each of the questions asked in this study. For the interested reader, more detailed information for each question is presented in graphic form in the **Details** Section of this report, on the specific page numbers indicated below.

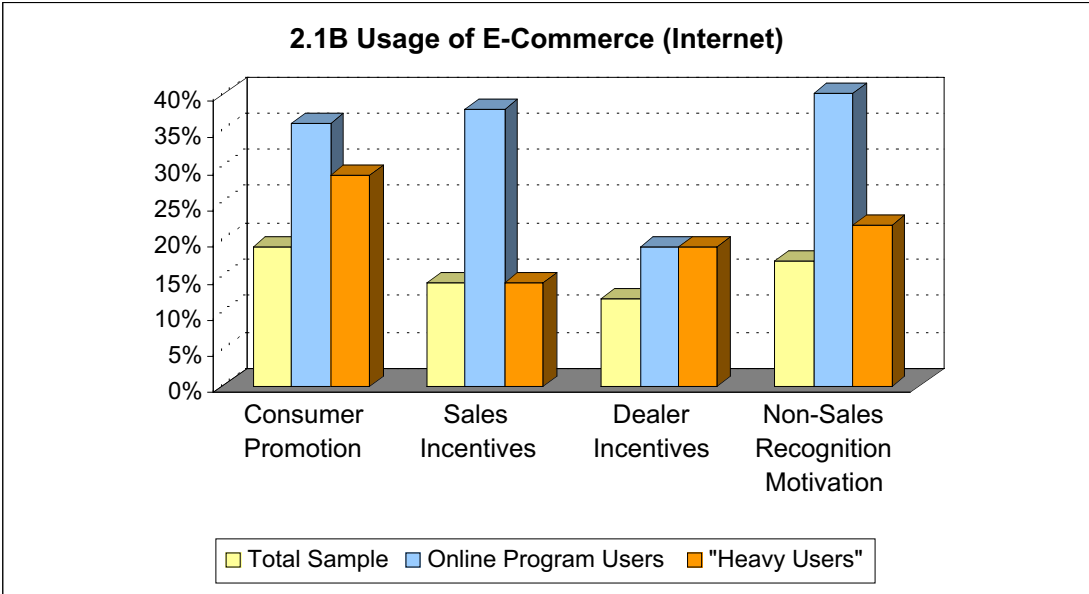
2.1 Overview and Highlights

- Most participants in this study are using more than one type of incentive or motivational application. Of the four types of applications investigated in this study, *Sales Incentives and Consumer/User Promotions are the most widely used applications*, as shown below.
- In terms of specific types of incentives or awards, participants indicate that *merchandise incentives and travel incentives are more compelling than cash*. (see **Details**, Questions 17-23).



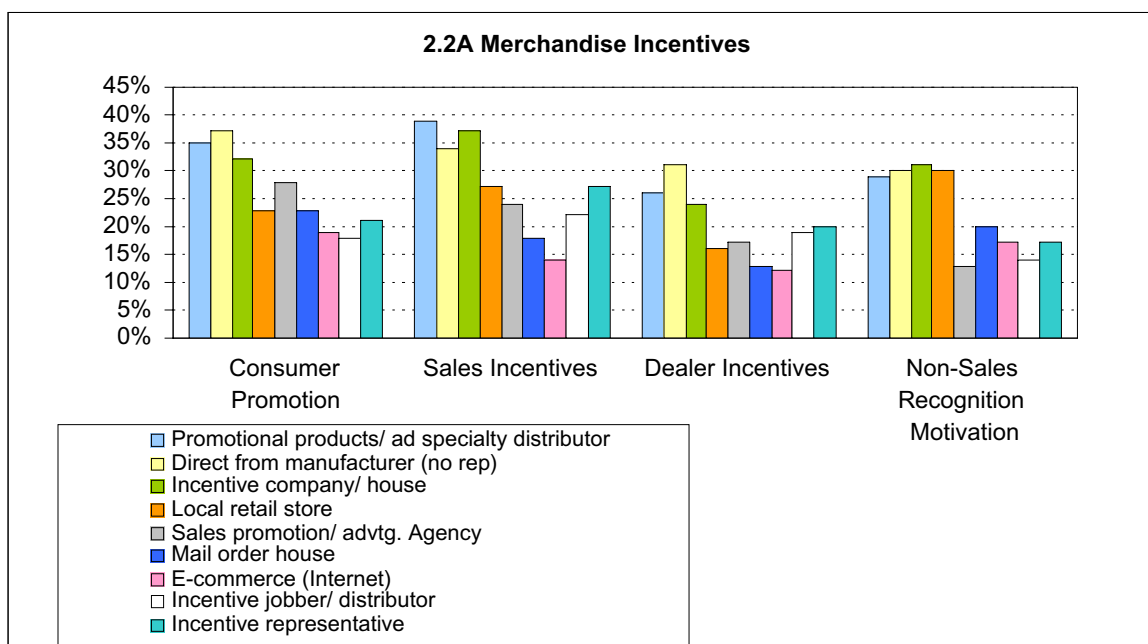
- The majority of respondents agree that *merchandise awards and travel awards are remembered longer than cash awards*.
 - In addition, the majority of respondents agree that *cash awards are remembered for the shortest time*.
 - Furthermore, the majority of respondents agree that *people prefer merchandise awards or travel awards because these are things they would not get for themselves*.
- Participants generally *use more than one type of supplier for their incentive applications*, particularly when purchasing merchandise incentives. (See **Details**, Question 1).
 - Participants who are “heavy users” of incentive programs (defined as 8 or more programs per year) generally use more types of suppliers than either “moderate users” (defined as 4 to 7 programs per year) or “light users” (1 to 3 programs per year).
 - “Heavy users” tend to use more suppliers particularly when purchasing incentives for consumer/user promotions, sales incentives, and dealer incentives.

- Although participants are using a variety of suppliers for their incentive applications, *e-commerce (the Internet) is not widely used as a source for incentive applications* (see **Details**, Question 1).
 - Only about *one in five participants (19%) overall use the Internet when buying merchandise for consumer promotions*. Even fewer participants use the Internet when buying merchandise for their sales incentives (14%), dealer incentives (12%), or non-sales recognition/motivation awards (17%).
 - However, *usage of the Internet is higher in the segment of users of online incentive programs (36%) when buying items for most applications*. Internet usage also is higher in the segment of “heavy” users (29%) when buying merchandise for consumer promotions specifically.

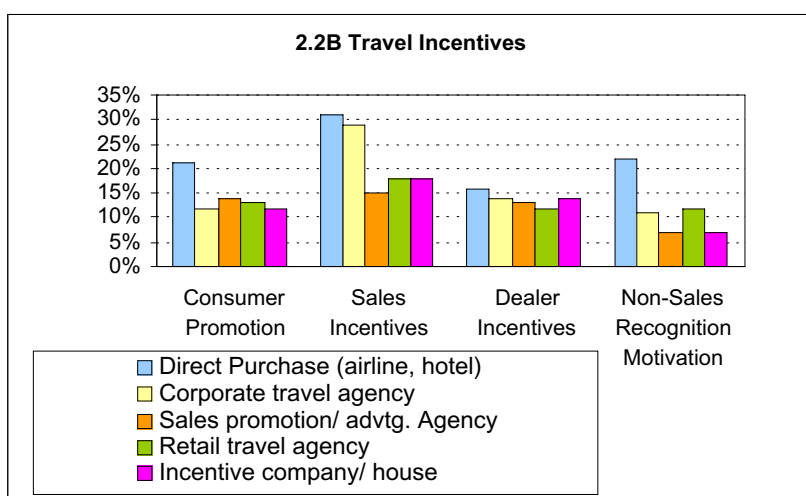


2.2 Type of Suppliers Used (Question 1)

- When buying Merchandise Incentives, the main types of suppliers or sources are identical for consumer promotions, sales incentives, dealer incentives, and non-sales recognition/motivation. *Promotional products/ ad specialty distributors, direct from the manufacturer, and incentive company/house are important sources for each type of motivation application.* In addition, *local retail stores* are an important source for consumer promotions and non-sales recognition/motivation awards.

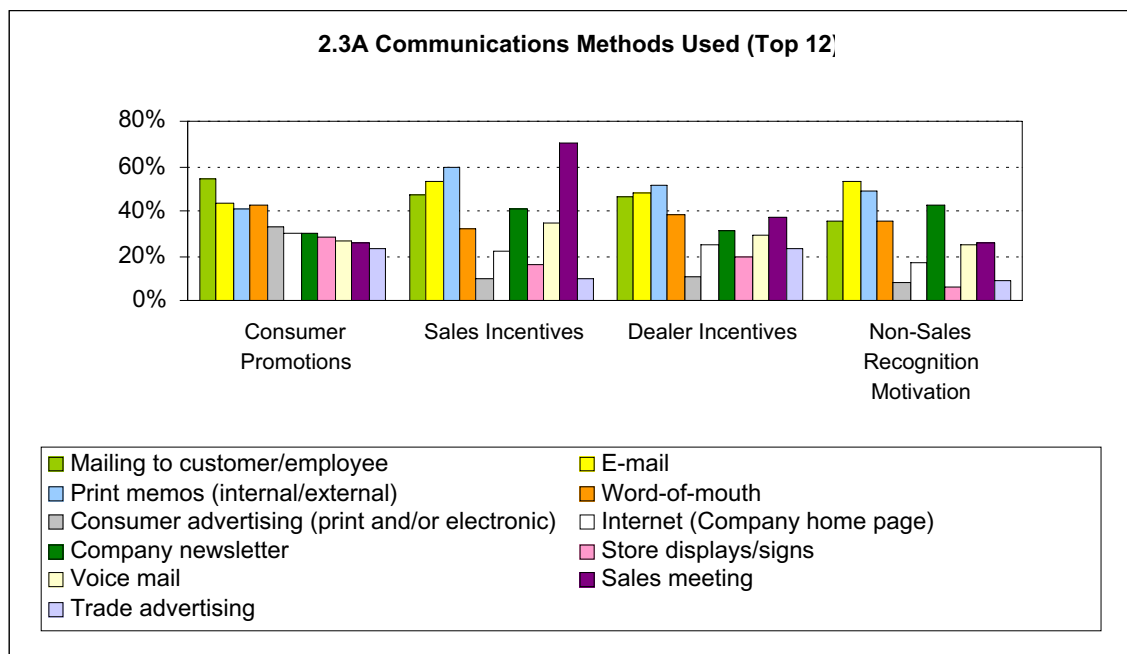


- When buying Travel Incentives, *direct purchase is a main source for consumer promotions, sales incentives, and non-sales recognition/motivation.* *Corporate travel agencies* also are an important source for sales incentives. By contrast, no one supplier or source dominates when buying dealer incentives.

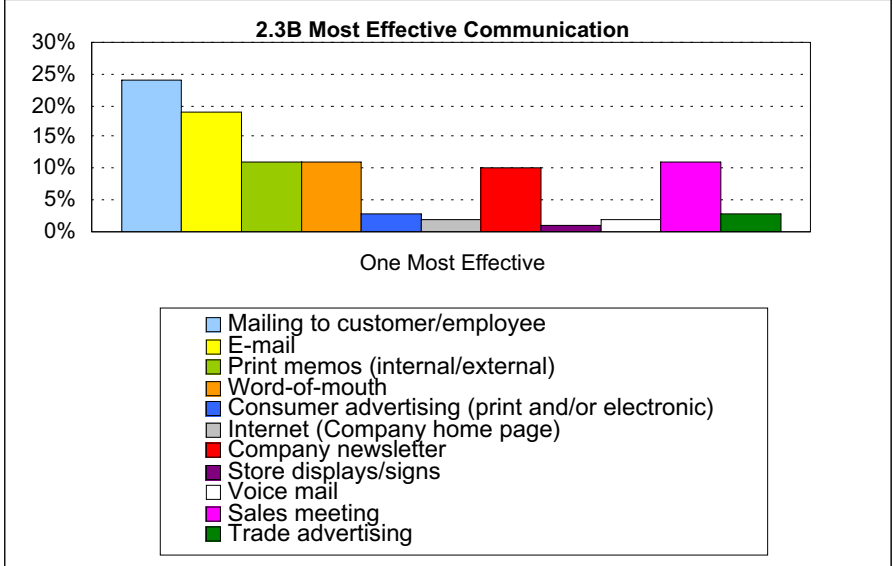


2.3 Communications Methods (Questions 2 and 3)

- Three communications methods are widely used to communicate each type of incentive program under consideration. These methods are: *mailings to customers/employees, e-mail, and print memos (internal/external)*.
- In addition, other communication methods are uniquely important for different types of incentive programs.
 - For example, *word-of-mouth* is another important communication method for consumer promotions.
 - *Sales meetings* are important for communicating sales incentives and dealer incentives
 - *Company newsletters and lunchroom displays* are important for non-sales recognition/motivation.

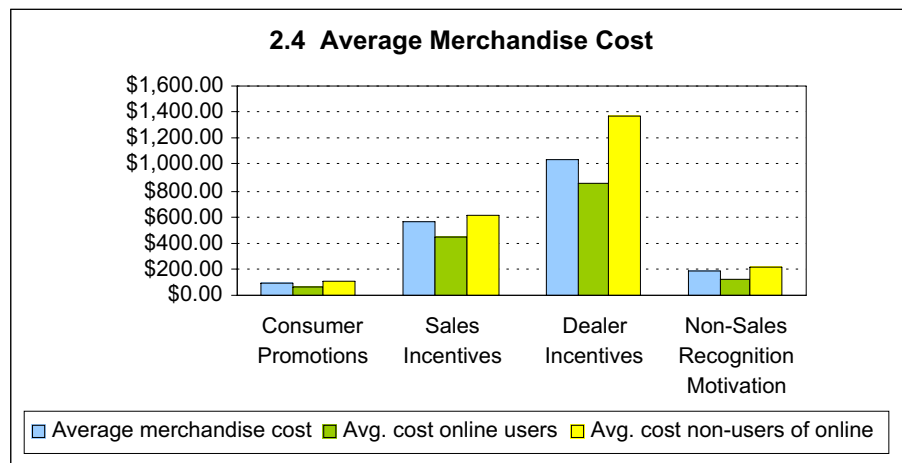


- According to more respondents, *mailings to customer/employee and e-mail are the most effective communications methods overall.*
 - *E-mail is especially effective according to participants who have used online incentive programs in the past, and according to participants who are “light users” (1-3 programs per year) of incentive programs.*



2.4 Costs, Units Sold, and Participation (Question 4)

- Respondents *spend more on average on merchandise incentives and on travel incentives for sales incentives and for dealer incentives programs.* However, consumer/user programs involve more people per program, more units per program (for merchandise incentives), and more nights per program (for travel incentives).
- The *average merchandise cost per item is lower for users of online incentive programs than for non-users of online incentive programs, for all incentive applications.*



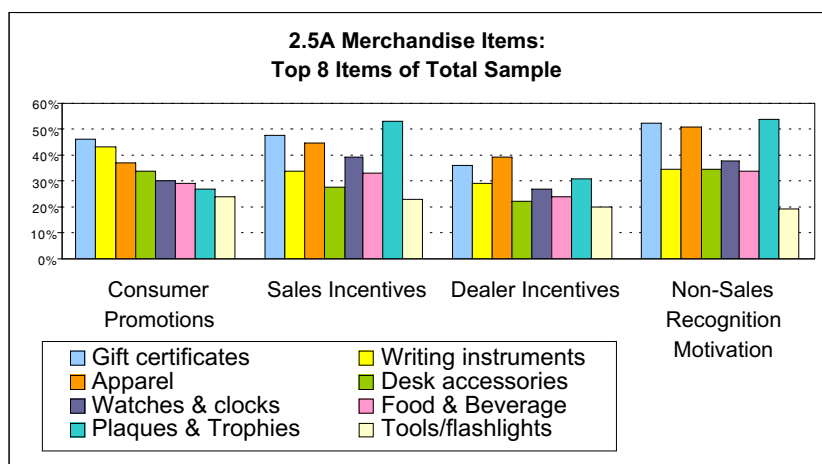
- Respondents conduct *more consumer programs and more sales incentive programs overall* versus dealer incentives and non-sales recognition motivation.

2.5 Future Usage Expectations (Question 5)

- In terms of merchandise items, there are some similarities and some differences with respect to the most popular items planned for future applications.

- For example, *gift certificates* are a popular item for future consumer promotions, sales incentives, and non-sales recognition /motivation.

- *Plaques and trophies* and *apparel* are popular future choices for sales incentives, dealer incentives, and non-sales recognition/motivation.

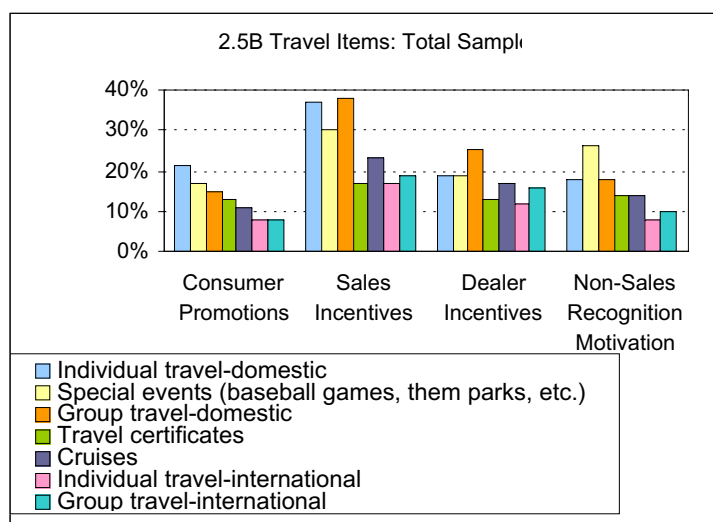


- *Writing instruments* are another popular future choice for consumer promotions.

- There also are similarities and differences in future plans for travel items.

- *Individual travel (domestic)* is popular in future plans for consumer promotions and sales incentives.

- *Group travel (domestic)* is popular in future plans for sales incentives and dealer incentives.

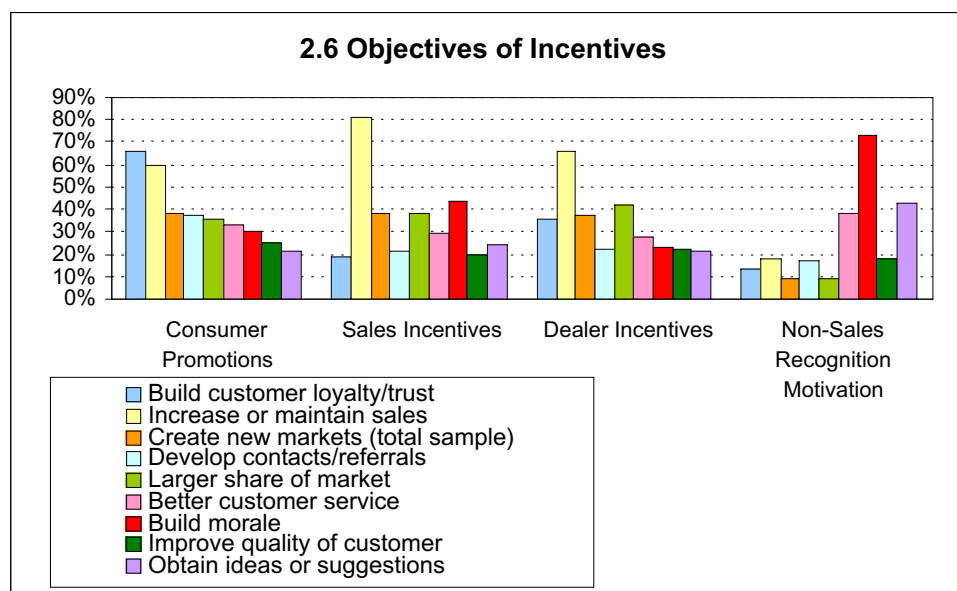


- *Special events* are a popular travel item for sales incentives and non-sales recognition/motivation.

- In general, *more "heavy" users (8+ programs per year) plan to use a wider variety of items in the future than "moderate" users (4-7 programs per year) or "light" users (1-3 programs per year).*

2.6 Setting Objectives and Crafting Incentive Programs (Questions 6 and 7)

- The main objectives for consumer promotions, sales incentives and dealer incentives tend to be similar:
 - *Increase or maintain sales* is a common objective for consumer promotions, sales incentives, and dealer incentives.
 - *Larger share of market* is another common goal for sales incentives and dealer incentives.
 - *Build customer loyalty/trust* is another widely shared goal for consumer promotions.

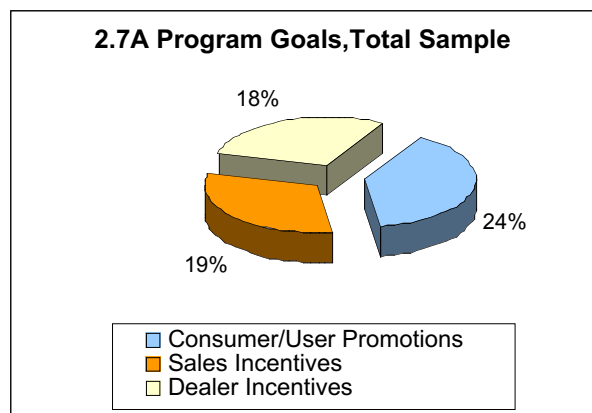


- By contrast, the main objectives set for non-sales recognition/motivation programs are very different. For example, the most common *objectives for non-sales recognition motivation programs are build morale, build employee loyalty/trust, and foster teamwork.*
- For consumer promotions, *creating new markets* is an additional objective that is important to users of online incentive programs and to “heavy” users (8+ programs per year) in particular.

- There is *more consistency in the factors considered in crafting a program for each incentive application*.
 - For example, about half or more of the respondents indicate that *having a lasting impression, cost vs. desired result, good appeal, and perceived value* are factors they consider for each incentive application.
 - *Profitability* is another important considerations for three types of applications: consumer promotions, sales incentives, and dealer incentives. *Profitability is especially important to users of online incentive programs and to “heavy” users (8+ programs per year)*.
 - *Being fair to everyone* also is an important consideration for three of these applications: sales incentives, dealer incentives, and non-sales recognition/motivation.
 - For most applications, *ease of administration* tends to be relatively more important to “light” users of incentive programs (1-3 programs per year).

2.7 Program Goals and Evaluation of Results (Questions 8, 9 and 10)

- When setting incentive goals, respondents set a *slightly higher increase in volume as a goal for consumer promotions (+24%)*, in comparison to volume increases they set for sales incentives (+19%) and dealer incentives (+18%).

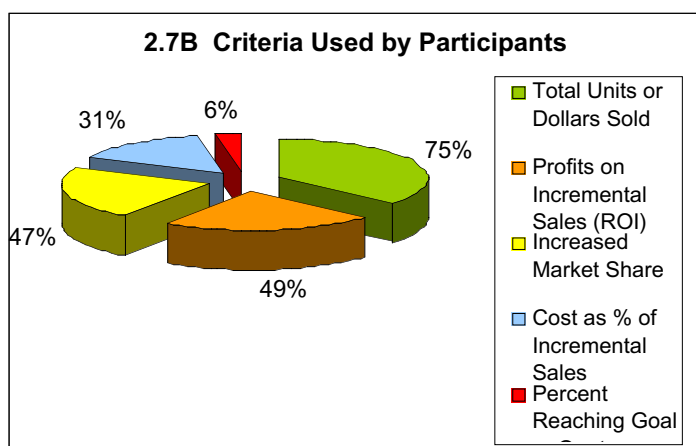


- Users of online incentive programs set even higher increases in volume for consumer promotions (+33%) and for dealer incentives (+22%).

- Two measures are widely used for basing quotas for sales improvement programs:

- About three-fourths of the respondents (76%) base quotas for sales improvement programs on *previous sales for the established duration*; 83% of heavy users base quotas on this factor.
- Nearly two-thirds of the respondents (61%) base quotas on *sales forecasts*. Among “heavy” users (8+ programs per year), even more participants (78%) base quotas on sales forecasts.
- Other measures such as *percent above plan*, *potential revenues*, and *distribution of product* are used by fewer than half of these participants for basing quotas.

- The most widely used criterion for evaluating sales improvement incentive programs is *total units or dollars sold*, which is used by three out of four respondents (75%) overall and by about four of five (82%) of the “heavy” users.



- ROI is used by slightly less than half of the participants (49%), except in the segment of “heavy” users where 68% use ROI to evaluate their programs.

- Increased market share* also is used by slightly less than half of the participants (47%), except in the segment of users of online incentive programs, where 60% use increased market share to evaluate their programs.

2.8 Number of Incentive Programs Annually (Question 11)

- Although respondents conduct more consumer/user incentive sales program in a year (16 per year) versus sales incentives (5 per year) or dealer incentives (3 per year), the *duration of all three types of incentive programs is approximately the same*. Each of these types of programs runs for 5 to 6 months on average, according to participants.

2.9 Use or Non-Use of Online Incentive Programs (Questions 12, 13, and 14)

- *Fewer than two in ten respondents (15%) have ever run an incentive program online.*
 - Among respondents who have ever run an incentive program online, *nearly half of the online programs (48%) were sales incentive programs.*
 - Slightly less than *one-third of the online programs (29%) were employee recognition programs*; about *one-fourth of the online programs (24%) were customer acquisition/loyalty programs.*
- Among non-users of online incentive programs, there are *two main reasons for not using an online incentive program*:
 - About 4 out of 10 (42%) have not run an online incentive program because *they are not sure how an online incentive program would work.*
 - About 3 out of 10 (29%) have not run an online incentive program because *most participants have limited access to the Internet.*

2.10 Non-Sales Recognition/Motivation (Question 15)

- The *majority of non-sales motivation and incentive programs are targeted to operations employees* (66 programs per year). Other employee groups that are popular targets for non-sales motivation programs are office employees (31 programs per year), plant engineering/maintenance employees (22 programs per year), and production employees (20 programs per year).

2.11 Non-Cash Incentives Allocation (Question 16)

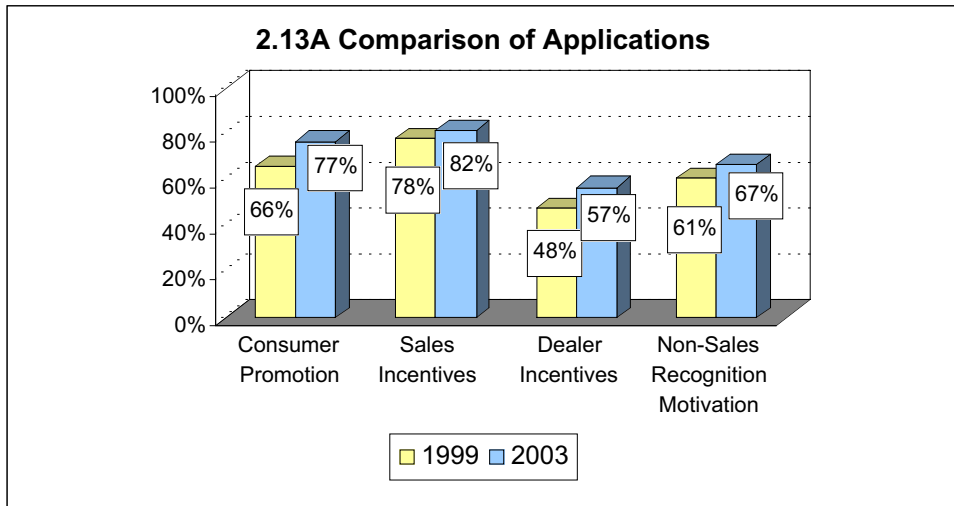
- *Nearly half of the total cost of non-cash incentives (48%) is for merchandise awards. By contrast, recognition awards and travel awards comprise relatively less of the total cost of non-cash incentives. These two types of awards are 28% and 24% respectively of the total cost.*

2.12 Thoughts about Cash Compared to Travel and Merchandise (Questions 17-23)

- *Nearly 3 of 5 respondents (57%, top two box) agree that a cash payment is perceived to be part of an employee's total remuneration package.*
- *Over half of the respondents perceive that travel is remembered longest (57% agree), merchandise is remembered next longest (52% agree), and cash is remembered for the shortest time (58% agree).*
- *Three of 5 respondents (60%, top two box) agree that merchandise or travel is preferred because these are something that people do not get for themselves.*
- *About 3 of 5 respondents (61%, top two box) agree that they can build a more exciting, memorable program around travel than around cash.*
- *Slightly fewer respondents (48%, top two box) agree that that they can build a more exciting, memorable program around merchandise than around cash.*
- *Slightly more than half of the respondents (51%, top two box) agree that employees often look at bonus payments as something they are due.*
- *Nearly 7 of 10 participants (68%, top two box) agree that bonus payments can have a negative impact if they are not paid or are not large enough.*

2.13 Comparison of the 1999 and 2003 IFI Surveys

- Applications



- **Types of Suppliers Used**

2.13B Merchandise Incentives	Consumer Promotion		Sales Incentives		Dealer Incentives		Non-Sales Recognition Motivation	
	1999	2003	1999	2003	1999	2003	1999	2003
Promotional products/ ad specialty distributor	27%	35%	31%	39%	30%	26%	21%	29%
Direct from manufacturer (no rep)	35%	37%	35%	34%	26%	31%	26%	30%
Incentive company/ house	27%	32%	40%	37%	30%	24%	25%	31%
Local retail store	18%	23%	23%	27%	12%	16%	29%	30%
Sales promotion/ advtg. Agency	28%	28%	21%	24%	20%	17%	13%	13%
Mail order house	25%	23%	16%	18%	21%	13%	11%	20%
E-commerce (Internet)	11%	19%	8%	14%	17%	12%	7%	17%
Incentive jobber/ distributor	16%	18%	20%	22%	21%	19%	16%	14%
Incentive representative	29%	21%	31%	27%	25%	20%	20%	17%

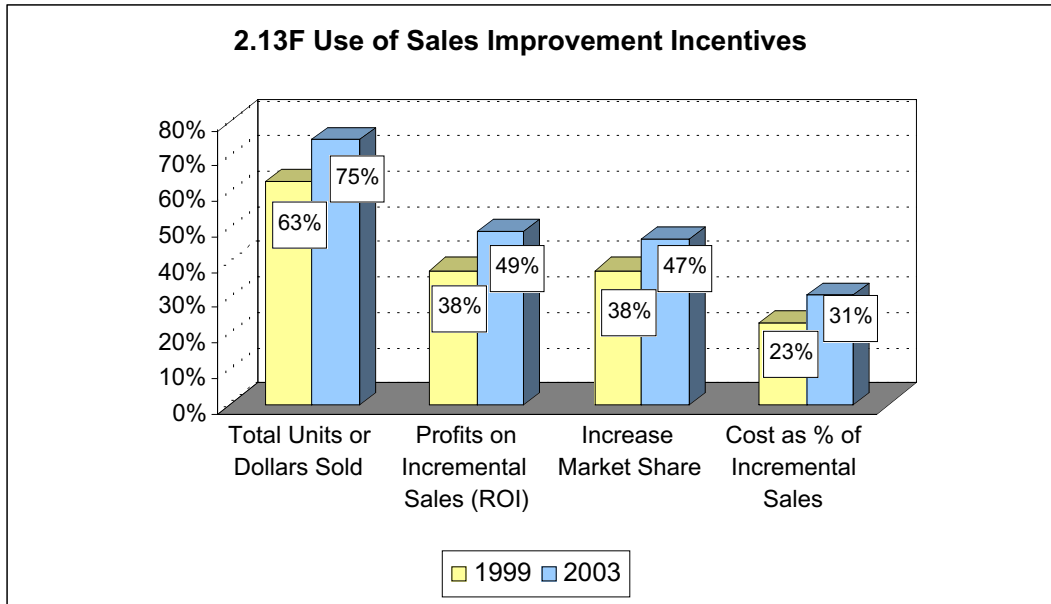
2.13C Travel Incentives	Consumer Promotion		Sales Incentives		Dealer Incentives		Non-Sales Recognition Motivation	
	1999	2003	1999	2003	1999	2003	1999	2003
Direct Purchase (airline, hotel)	15%	21%	23%	31%	17%	16%	19%	22%
Corporate travel agency	17%	12%	37%	29%	19%	14%	22%	11%
Sales promotion/ advtg. Agency	7%	14%	8%	15%	5%	13%	2%	7%
Retail travel agency	10%	13%	16%	18%	15%	12%	7%	12%
Incentive company/ house	8%	12%	18%	18%	16%	14%	9%	7%

- **Cost, “Units” and Participation**

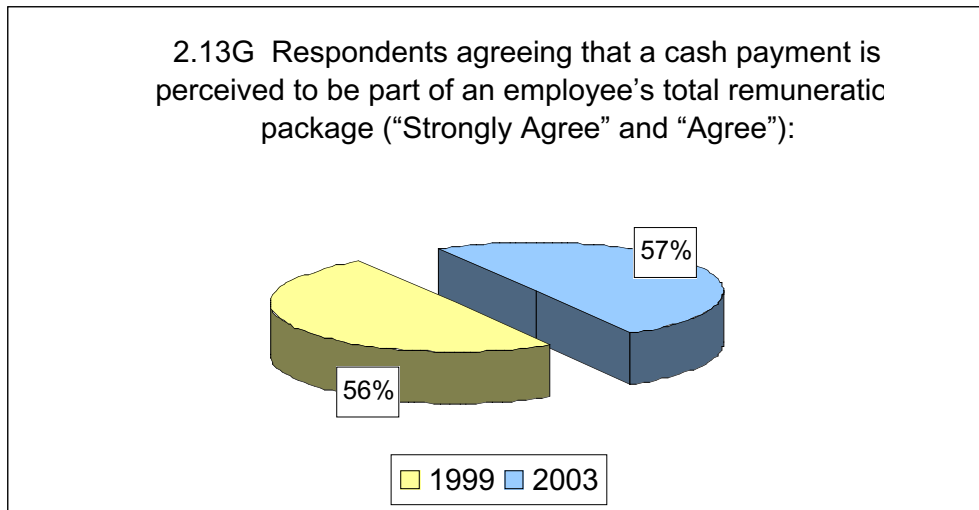
2.13D Merchandise Incentives	Consumer Promotion		Sales Incentives		Dealer Incentives		Non-Sales Recognition Motivation	
	1999	2003	1999	2003	1999	2003	1999	2003
Average Merchandise Cost	\$70.00	\$87.00	\$552.00	\$566.00	\$809.00	\$1,035.00	\$121.00	\$180.00
Average Number of Units in each Program	3,551	5,932	3,334	4,090	820	1,023	601	610
Number of people per Program	23,142	32,608	3,509	3,770	744	720	793	815

2.13E Travel Incentives	Consumer Promotion		Sales Incentives		Dealer Incentives		Non-Sales Recognition Motivation	
	1999	2003	1999	2003	1999	2003	1999	2003
Average Travel Cost per person	\$1,202.00	\$847.00	\$1,981.00	\$1,473.00	\$2,317.00	\$1,467.00	\$1,070.00	\$980.00
Average Number of people in each Program	46903	39903	371	305	45	41	165	155
Average number of Nights	3	3	5	4	4	4	4	3

- **Criteria for Evaluation Sales Improvement Incentive Programs**



- **Cash as an Incentive**



3.0 Implications

- Findings from this survey of current users suggest a continuing opportunity for merchandise and travel items for motivational applications. Current users seem satisfied with the appeal of merchandise and travel items in the context of incentive programs, based on their plans to continue using merchandise and travel items in their future incentive programs.
- Findings from this survey suggest that “heavy” users of incentive programs (defined in this survey as using 8 or more incentive programs per year) are the main target upon whom suppliers of merchandise and travel items should focus.
 - In comparison to “moderate” and “light” users, this study indicates that “heavy” users are using a wider variety of suppliers for their incentive programs.
 - Furthermore, “heavy” users’ plans are to use a relatively wider variety of merchandise and travel items in their future incentive programs, in comparison to “moderate” and “light” incentive program users.
- When targeting “heavy” users, suppliers and agencies should keep in mind certain objectives and considerations that are important to “heavy” users, based on the findings in this survey.
 - For example, *creating new markets* is an important objective when “heavy” users are developing incentive programs.
 - *Profitability* is an important factor when “heavy” users structure their incentive programs. *ROI* is an important criterion that “heavy” users rely on when evaluating the success of incentive programs. The relative importance of these two criteria suggests that “heavy” users may be somewhat more savvy or sophisticated financially than “moderate” or “light” users in general.
 - In order to attract the attention of “heavy” users, suppliers and agencies should demonstrate how their merchandise items or travel items or incentive programs fit with these objectives and financial considerations.

- Although the Internet currently is not a key source of merchandise and travel items for incentive programs overall, findings from this survey suggest that the Internet has become important to a meaningful segment of “heavy” users (almost 3 in 10 according to this survey), especially when buying merchandise items for consumer promotions.
 - This suggests that suppliers and agencies need to have a strong presence on the Internet, in order to gain as much exposure as possible among “heavy” users.
- This study also suggests a potential opportunity to develop interest in online incentive programs among this target, especially if online incentive programs offer meaningful advantages (e.g., in terms of lower costs and easier administration) versus traditional incentive programs that are not based online.
 - Since a lack of understanding of how to run an online incentive program is an obstacle to about 4 of 10 participants, suppliers and agencies could take the lead in educating their customers or clients on how to run an online program.
 - If online incentive programs are indeed easier to administer and are less expensive to execute, these benefits could help convert some current “light” or “moderate” users to “heavy” users of incentive programs in the future.

4.0 Details

4.1 Type of Suppliers Used (Question 1)

Question 1: For each motivation application used in your organization, please indicate the type(s) of supplier you use. (multiple answers allowed)

Summary of Findings:

- When buying Merchandise Incentives, the main types of suppliers or sources are identical for consumer promotions, sales incentives, dealer incentives, and non-sales recognition/motivation. Promotional products/ad specialty distributors, direct from the manufacturer, and incentive company/house are important sources for each type of motivation application. In addition, local retail stores are an important source for consumer promotions and non-sales recognition/motivation awards.
- When buying Travel Incentives, direct purchase is a main source for consumer promotions, sales incentives, and non-sales recognition/motivation. Corporate travel agencies also are an important source for sales incentives. By contrast, no one supplier or source dominates when buying dealer incentives.
- Participants who are “heavy users” of incentive programs (defined as 8 or more programs per year) generally use more types of suppliers than either “moderate users” (defined as 4 to 7 programs per year) or “light users” (1 to 3 programs per year). “Heavy users” tend to use more suppliers particularly when purchasing incentives for consumer/user promotions, sales incentives, and dealer incentives.
- Although participants are using a variety of suppliers for their incentive applications, e-commerce (the Internet) is not widely used as a source for incentive applications, except among users of online programs for buying all but dealer incentives, and among “heavy” users (8+ programs per year) when buying consumer promotions.

Table 4.1A Merchandise Incentives	Consumer Promotion	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Promotional products/ ad specialty distributor	35%	39%	26%	29%
Direct from manufacturer (no rep)	37%	34%	31%	30%
Incentive company/ house	32%	37%	24%	31%
Local retail store	23%	27%	16%	30%
Sales promotion/ advtg. Agency	28%	24%	17%	13%
Mail order house	23%	18%	13%	20%
E-commerce (Internet)	19%	14%	12%	17%
Incentive jobber/ distributor	18%	22%	19%	14%
Incentive representative	21%	27%	20%	17%

Table 4.1B Merchandise Incentives, Heavy Users	Consumer Promotion	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Promotional products/ ad specialty distributor	51%	50%	39%	36%
Direct from manufacturer (no rep)	44%	47%	34%	30%
Incentive company/ house	43%	48%	31%	31%
Local retail store	32%	27%	25%	34%
Sales promotion/ advtg. Agency	38%	37%	27%	7%
Mail order house	32%	24%	26%	24%
E-commerce (Internet)	29%	14%	19%	22%
Incentive jobber/ distributor	24%	32%	29%	21%
Incentive representative	23%	32%	27%	16%

Table 4.1C Travel Incentives	Consumer Promotion	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Direct Purchase (airline, hotel)	21%	31%	16%	22%
Corporate travel agency	14%	29%	14%	11%
Sales promotion/ advtg. Agency	14%	15%	13%	7%
Retail travel agency	13%	18%	12%	12%
Incentive company/ house	12%	18%	14%	7%

Table 4.1D Travel Incentives, Heavy Users	Consumer Promotion	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Direct Purchase (airline, hotel)	32%	37%	26%	24%
Corporate travel agency	22%	42%	27%	15%
Sales promotion/ advtg. Agency	30%	33%	25%	17%
Retail travel agency	16%	21%	15%	7%
Incentive company/ house	17%	30%	26%	9%

Table 4.1E Usage of E-Commerce (Internet)	Consumer Promotion	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Total Sample	19%	14%	12%	17%
Online Program Users	36%	38%	19%	40%
"Heavy Users"	29%	14%	19%	22%

4.2 Communications Methods (Questions 2 and 3)

Question 2: Which of the communications methods listed below have you used within the past 12 months to communicate your incentive programs to the intended recipients? Which one, in your opinion, is most effective?

Question 3: Which one, in your opinion, is most effective?

Summary of Findings:

- Three communications methods are widely used to communicate each type of incentive program under consideration. These methods are: mailings to customers/employees, e-mail, and print memos (internal/external).
- In addition, other communication methods are uniquely important for different types of incentive programs.
 - For example, word-of-mouth is another important communication method for consumer promotions.
 - Sales meetings are important for communicating sales incentives and dealer incentives
 - Company newsletters and lunchroom displays are important for non-sales recognition/motivation.
- According to more respondents, mailings to customer/employee and e-mail are the most effective communications methods overall.

Table 4.2A Communications Methods Used	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation	One Most Effective
Mailing to customer/employee	54%	47%	46%	36%	24%
E-mail	44%	53%	48%	53%	19%
Print memos (internal/external)	41%	60%	52%	49%	11%
Word-of-mouth	34%	32%	38%	36%	11%
Consumer advertising (print and/or electronic)	33%	10%	11%	8%	3%
Internet (Company home page)	30%	22%	25%	17%	2%
Company newsletter	30%	41%	31%	43%	10%
Store displays/signs	28%	16%	20%	6%	1%
Voice mail	27%	35%	29%	25%	2%
Sales meeting	26%	70%	37%	26%	11%
Trade advertising	23%	10%	23%	9%	3%
Bulletin boards	21%	18%	15%	36%	1%
Union meetings	2%	2%	2%	6%	1%
Pre-show announcements	19%	17%	20%	7%	1%
Lunchroom displays	14%	11%	6%	42%	<1%
Employee reviews	13%	17%	10%	29%	1%
Intranet (LAN)	8%	18%	7%	17%	2%

E-mail is especially effective according to participants who have used online incentive programs in the past and to participants who are “light users” (1-3 programs per year) of incentive programs

Table 4.2B E-mail as Communication	“E-mail” is most effective communication
Total sample	19%
Users of online programs	30%
“Light” users (1-3 programs/year)	29%

4.3 Cost, Units Sold, and Participation (Question 4)

Question 4: *Over the past 12 months what was the average cost for each of the incentive items your organization used? How many people or units were in each program? How many programs were conducted in the past 12 months?*

Summary of Findings:

- Respondents spend more on average on merchandise incentives and on travel incentives for sales incentives and for dealer incentives programs. However, consumer/user programs involve more people per program, more units per program (for merchandise incentives), and more nights per program (for travel incentives).
- The average merchandise cost per item is lower for users of online incentive programs than for non-users of online incentive programs, for all incentive applications.
- Respondents conduct more consumer programs and more sales incentive programs overall versus dealer incentives and non-sales recognition motivation.

Table 4.3A Merchandise Incentives	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Average merchandise cost	\$87.00	\$566.00	\$1,035.00	\$180.00
Avg. cost online users	\$65.00	\$444.00	\$848.00	\$126.00
Avg. cost non-users of online	\$113.00	\$616.00	\$1,372.00	\$211.00
Average number of units in each program	5,932	4090	1023	610
Number of people per program	32,608	3770	720	815

Table 4.3B Travel Incentives	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Average travel cost per person	\$847.00	\$1,473.00	\$1,467.00	\$980.00
Average number of people in each program	39,903	305	41	155
Average number of nights	3	4	4	3

4.4 Future Usage Expectations (Question 5)

Question 5: *Looking to the future, which merchandise and travel items might your organization use for each of the applications you use? (multiple answers allowed)*

Summary of Findings:

- In terms of merchandise items, there are some similarities and some differences with respect to the most popular items planned for future applications.
 - For example, gift certificates are a popular item for future consumer promotions, sales incentives, and non-sales recognition/motivation.
 - Plaques and trophies and apparel are popular future choices for sales incentives, dealer incentives, and non-sales recognition/motivation.
 - Writing instruments are another popular future choice for consumer promotions.
- There also are similarities and differences in future plans for travel items.
 - Individual travel (domestic) is popular in future plans for consumer promotions and sales incentives.
 - Group travel (domestic) is popular in future plans for sales incentives and dealer incentives.
 - Special events are a popular travel item for sales incentives and non-sales recognition/motivation.
- In general, more “heavy” users (8+ programs per year) plan to use a wider variety of items in the future than “moderate” users (4-7 programs per year) or “light” users (1-3 programs per year).

Table 4.4A Merchandise Items: Total Sample	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Gift certificates	46%	48%	36%	52%
Writing instruments	43%	34%	29%	35%
Apparel	37%	45%	39%	51%
Desk accessories	34%	28%	22%	35%
Watches & clocks	30%	39%	27%	38%
Food & Beverage	29%	33%	24%	34%
Plaques & Trophies	27%	53%	31%	54%
Tools/flashlights	24%	23%	20%	19%
Sporting goods	24%	28%	24%	29%
Cameras & accessories	21%	30%	26%	18%
Leather goods	20%	27%	19%	22%
Books & informational media	19%	18%	16%	22%
Toys & games	19%	16%	12%	15%
Computers, accessories, software	19%	24%	19%	15%
Home entertainment	17%	30%	24%	20%
Outdoor leisure	17%	20%	17%	19%
Luggage	16%	24%	17%	15%
Small appliances	15%	20%	16%	15%
Office equipment	14%	16%	13%	19%
Debit cards	13%	14%	13%	16%
Automotive accessories	13%	14%	13%	12%
Jewelry	11%	23%	15%	25%
Home furnishings	10%	10%	10%	9%
Telephone related	10%	11%	9%	10%
Tableware	7%	9%	6%	19%
Major appliances	6%	10%	10%	8%

Table 4.4B Merchandise Items: Heavy Users	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Gift certificates	56%	62%	49%	61%
Writing instruments	51%	47%	47%	43%
Apparel	58%	66%	59%	66%
Desk accessories	48%	42%	41%	43%
Watches & clocks	42%	50%	38%	35%
Food & Beverage	40%	40%	36%	43%
Plaques & Trophies	32%	70%	46%	56%
Tools/flashlights	37%	35%	33%	24%
Sporting goods	33%	42%	34%	38%
Cameras & accessories	38%	50%	45%	29%
Leather goods	30%	39%	29%	23%
Books & informational media	29%	22%	25%	22%
Toys & games	33%	38%	20%	24%
Computers, accessories, software	26%	43%	33%	24%
Home entertainment	33%	51%	45%	24%
Outdoor leisure	23%	28%	22%	22%
Luggage	28%	40%	26%	20%
Small appliances	30%	39%	29%	24%
Office equipment	27%	28%	25%	27%
Debit cards	24%	27%	26%	28%
Automotive accessories	20%	24%	24%	17%
Jewelry	14%	33%	25%	24%
Home furnishings	21%	23%	22%	15%
Telephone related	22%	20%	22%	17%
Tableware	14%	16%	12%	10%
Major appliances	10%	22%	18%	10%

Table 4.4C Travel Items: Total Sample	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Individual travel-domestic	21%	37%	19%	18%
Special events (baseball games, them parks, etc.)	17%	30%	19%	26%
Group travel-domestic	15%	38%	25%	18%
Travel certificates	13%	17%	13%	14%
Cruises	11%	23%	17%	14%
Individual travel-international	8%	17%	12%	8%
Group travel-international	8%	19%	16%	10%

Table 4.4D Travel Items: Heavy Users	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Individual travel-domestic	36%	56%	33%	31%
Special events (baseball games, them parks, etc.)	35%	45%	37%	40%
Group travel-domestic	30%	51%	41%	28%
Travel certificates	20%	29%	25%	19%
Cruises	16%	33%	29%	18%
Individual travel-international	14%	32%	29%	18%
Group travel-international	13%	28%	26%	17%

4.5 Setting Objectives and Crafting Incentive Programs (Questions 6 and 7)

Question 6: Which of the objectives listed below do you most often set for incentive programs?

Summary of Findings:

- The main objectives for consumer promotions, sales incentives and dealer incentives tend to be similar:
 - Increase or maintain sales is a common objective for consumer promotions, sales incentives, and dealer incentives.
 - Larger share of market is another common goal for sales incentives and dealer incentives.
 - Build customer loyalty/trust is another widely shared goal for consumer promotions.
- By contrast, the main objectives set for non-sales recognition/motivation programs are very different. For example, the most common objectives for non-sales recognition motivation programs are build morale, build employee loyalty/trust, and foster teamwork.
- For consumer promotions in particular, creating new markets is an additional objective that is important to users of online incentive programs and “heavy” users (8+ programs per year).

Table 4.5A Objectives for Incentive Programs	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Build customer loyalty/trust	66%	19%	36%	13%
Increase or maintain sales	60%	81%	66%	18%
Create new markets (total sample)	38%	38%	37%	9%
Online users segment	59%	44%	43%	17%
“Heavy” users segment	48%	48%	41%	10%
Develop contacts/referrals	37%	21%	22%	17%
Larger share of market	36%	38%	42%	9%
Better customer service	33%	29%	28%	38%
Build morale	30%	44%	23%	73%
Improve quality of customer	25%	20%	22%	18%
Obtain ideas or suggestions	21%	24%	21%	43%
Build employee loyalty/trust	20%	37%	16%	60%
Improve attendance	18%	13%	11%	37%
Foster team work	18%	30%	15%	53%
Show concern for workers	14%	16%	12%	41%
Safety: reduce claims/lost time	6%	7%	11%	27%
Greater middleman attention	3%	9%	25%	4%

Question 7: Which of the factors or issues listed below are considered in crafting a program for each incentive application? (multiple answers allowed)

Summary of Findings:

- There is more consistency in the factors considered in crafting a program for each incentive application.
 - For example, about half of the respondents or more indicate that having a lasting impression, cost vs. desired result, good appeal, and perceived value are factors they consider for each incentive application.
 - Profitability is another important considerations for three types of applications: consumer promotions, sales incentives, and dealer incentives. Profitability is especially important to users of online incentive programs and to “heavy” users (8+ programs per year).
 - Being fair to everyone also is an important consideration for three of these applications: sales incentives, dealer incentives, and non-sales recognition/motivation.
- For most applications (except dealer incentives), ease of administration tends to be relatively more important to “light” users of incentive programs (1-3 programs per year).

Table 4.5B Factors/Issues	Consumer Promotions	Sales Incentives	Dealer Incentives	Non-Sales Recognition Motivation
Have lasting impression	65%	50%	54%	53%
Cost vs. desired result	63%	64%	52%	48%
Good appeal	59%	52%	49%	51%
Perceived value	56%	51%	51%	49%
Profitability (total sample)	48%	55%	58%	34%
Online users segment	65%	60%	51%	55%
“Heavy” users segment	65%	74%	73%	41%
Ease of administration	45%	51%	55%	49%
“Light” users segment	51%	68%	44%	59%
Freshness (unique) over time	41%	31%	33%	33%
Fair to everyone	37%	60%	50%	54%
Matching program to audience	37%	29%	31%	35%
Comparable to prior programs	24%	28%	26%	17%
Potential damage to company image	20%	14%	20%	11%
Verification criteria (required action)	18%	19%	22%	15%

4.6 Program Goals and Evaluation of Results (Questions 8, 9 and 10)

Question 8: *What percentage increase in volume do you usually set as incentive goal(s)?*

Summary of Findings:

- When setting incentive goals, respondents set a slightly higher increase in volume as a goal for consumer promotions (+24%), in comparison to volume increases they set for sales incentives (+19%) and dealer incentives (+18%).
- Users of online incentive programs set higher increases in volume for consumer promotions (+33%) and for dealer incentives (+22%).

Table 4.6A Incentive Goal Increases	Consumer/User Promotions	Sales Incentives	Dealer Incentives
Online Users Segment	33%	18%	22%
Total Sample	24%	19%	18%

Question 9: *On what do you base quotas for sales improvement programs? (multiple answers allowed)*

Summary of Findings:

- Two measures are widely used for basing quotas for sales improvement programs:
 - About three-fourths of the respondents (76%) base quotas for sales improvement programs on previous sales for the established duration; 83% of heavy users base quotas on this factor.
 - Nearly two-thirds of the respondents (61%) base quotas on sales forecasts. Among “Heavy” users (8+ programs per year), even more participants (78%) base quotas on sales forecasts.
- The measures such as % above plan, potential revenues, and distribution of product are used by fewer than half of these participants for basing quotas.

Table 4.6B Base for Quotas	Total Sample	Heavy Users
Previous sales for established duration	76%	83%
Sales forecasts	61%	78%
Percent above plan	45%	56%
Potential revenues	38%	48%
Distribution of product	26%	35%
Existing contract continuance	23%	36%
Based on competition	22%	40%
Daily contacts	21%	27%
Gross profit “trigger”	21%	34%
Longevity in territory	18%	22%
How quick to recover costs	18%	30%
Reduce hours/increase gross sales	13%	16%
Other	3%	4%

Question 10: *What criteria do you use to evaluate your sales improvement incentive programs? (multiple answers allowed)*

Summary of Findings:

- The most widely used criterion for evaluating sales improvement incentive programs is total units or dollars sold, which is used by three out of four respondents (75%) and by four of five (82%) of the “heavy” users.
- ROI is used by slightly less than half of the participants (49%), except in the segment of “heavy” users where 68% use ROI to evaluate their programs.
- Increased market share also is used by slightly less than half of the participants (47%), except in the segment of users of online programs, where 60% use increased market share evaluate their programs.

Table 4.6C Criteria for Evaluation of Incentives	Used by Participants
Total Units or Dollars Sold	75% (82% of Heavy Users)
Profits on Incremental Sales (ROI)	49% (68% of Heavy Users)
Increased Market Share	47% (60% of Online Users)
Cost as Percent of Incremental Sales	31%
Percent Reaching Goal or Quota	6%

4.7 Number of Incentive Programs Annually (Question 11)

Question 11: *Approximately how many incentive sales programs do you usually conduct in one year? Approximately how many months does each program run?*

Summary of Findings:

- Although respondents conduct more consumer/user incentive sales program in a year (14 per year) versus sales incentives (5 per year) or dealer incentives (9 per year), the duration of all three types of incentive programs is approximately the same. Each of these types of programs runs for 5 to 6 months on average, according to participants.

Table 4.7 No. of Programs	Number per Year	Number of Months
Consumer/User Promotions	14	5
Sales Incentives	5	6
Dealer Incentives	9	5

4.8 Use or Non-Use of Online Incentive Programs (Questions 12, 13 and 14)

Question 12: *Have you ever run an incentive program online?*

Summary of Findings:

- Fewer than two in ten respondents (15%) have ever run an incentive program online.

Table 4.8A Online Programs	
Yes	15%
No	85%
Total	100%

Question 13: *If so, what type of program was it?*

Summary of Findings:

- Among respondents who have ever run an incentive program online, nearly half of the online programs (48%) were sales incentive programs.
- Slightly less than one-third of the online programs (29%) were employee recognition programs; about one-fourth of the online programs (24%) were customer acquisition/loyalty programs.

Table 4.8B Type of Online Program	
Sales Incentive	48%
Employee Recognition	29%
Customer Acquisition/Loyalty	24%
Safety Program	8%
Other	12%

Question 14: *If you've never run an online incentive program, please indicate why.*

Summary of Findings:

- Among non-users of online incentive programs, there are two main reasons for not using an online incentive program:
 - About four out of ten (42%) have not run an online incentive program because they are not sure how an online incentive program would work.
 - About three out of ten (29%) have not run an online incentive program because most participants have limited access to the Internet.

Table 4.8C Reasons for No Online Programs	
Not sure how it would work	42%
Most participants have limited access to the Internet	29%
Costs too much	8%
Other	21%

4.9 Non-Sales Recognition/Motivation (Question 15)

Question 15: *Approximately how many NON-SALES (not directly connected to sales volume) motivation and incentive programs do you conduct in each of the following employee groups annually?*

Summary of Findings:

- The majority of non-sales motivation and incentive programs are targeted to operations employees (66 programs per year). Other employee groups that are popular targets for non-sales motivation programs are office employees (31 programs per year, plant engineering/maintenance employees (22 programs per year), and production employees (20 programs per year).

Table 4.9 Non-Sales Promotions	
Operations Employees	66
Office Employees	31
Plant Engineering/Maintenance	22
Production Employees	20
Warehouse/Transportation	12
Sales	6
Quality Control	6
Marketing/Sales Support	4
R&D Staff	2

4.10 Non-Cash Incentives Allocation (Question 16)

Question 16: *About what percent of the total cost of NON-CASH incentives, other than sales incentive programs, is for merchandise, travel, and recognition awards?*

Summary of Findings:

- Nearly half of the total cost of non-cash incentives (48%) is for merchandise awards. By contrast, recognition awards and travel awards comprise relatively less of the total cost of non-cash incentives. These two types of awards are 28% and 24% respectively of the total cost.

Table 4.10 Non-Cash Incentives	
Merchandise Awards	48%
Travel Awards	24%
Recognition Awards	28%
Total	100%

4.11 Thoughts about Cash Compared to Travel and Merchandise (Questions 17 - 23)

To this point we have been dealing with merchandise and travel incentive items. Now we would like your thoughts regarding using CASH. Please indicate to what extent you agree or disagree with each of the following statements.

Question 17: *Most people think of a cash payment (bonus or commission, etc.) as part of their total remuneration package.*

Summary of Findings:

- Nearly three of five respondents agree that a cash payment is perceived to be part of an employee's total remuneration package.

Strongly Agree	15%
Agree	42%
Mildly Agree	19%
Mildly Disagree	10%
Disagree	9%
Strongly Disagree	5%

Question 18: *Think about your experience with cash awards, merchandise awards, and travel awards. Which is remembered the longest? Which would be remembered next? Which would be remembered for the shortest time?*

Summary of Findings:

- Over half of the respondents perceive that travel is remembered longest, merchandise is remembered next longest, and cash is remembered for the shortest time.

	Longest	Next	Shortest
Cash	22%	20%	58%
Merchandise	21%	52%	27%
Travel	57%	28%	15%

Question 19: *People prefer merchandise or travel because it is something they would not get for themselves.*

Summary of Findings:

- Three of five respondents agree that merchandise or travel is preferred because these are something that people do not get for themselves.

Table 4.11C Prefer Merchandise/Travel	
Strongly Agree	15%
Agree	45%
Mildly Agree	26%
Mildly Disagree	8%
Disagree	5%
Strongly Disagree	1%

Question 20: *You can build a more exciting and memorable program around travel than you can cash.*

Summary of Findings:

- About three of five respondents agree that they can build a more exciting, memorable program around travel than around cash.

Table 4.11D Travel Incentives More Exciting than Cash	
Strongly Agree	19%
Agree	42%
Mildly Agree	19%
Mildly Disagree	11%
Disagree	7%
Strongly Disagree	2%

Question 21: *You can build a more exciting and memorable program around merchandise than you can cash.*

Summary of Findings:

- About half of the respondents agree that that they can build a more exciting, memorable program around merchandise than around cash.

Table 4.11E Merchandise Incentives More Exciting than Cash	
Strongly Agree	10%
Agree	38%
Mildly Agree	22%
Mildly Disagree	18%
Disagree	10%
Strongly Disagree	2%

Question 22: *Bonus payments are often looked on by employees as something they are due.*

Summary of Findings:

- Slightly more than half of the respondents agree that employees often look at bonus payments as something they are due.

Table 4.11F Employees are Due Bonuses	
Strongly Agree	12%
Agree	39%
Mildly Agree	26%
Mildly Disagree	11%
Disagree	9%
Strongly Disagree	3%

Question 23: *Bonus payments can have a negative impact if they are not paid or are not large enough.*

Summary of Findings:

- Almost seven of ten respondents agree that bonus payments can have a negative impact if they are not paid or are not large enough.

Table 4.11G Bonuses can have Negative Impact	
Strongly Agree	21%
Agree	47%
Mildly Agree	18%
Mildly Disagree	7%
Disagree	5%
Strongly Disagree	2%

4.12 Classification Data (Questions 24-26)

Question 24: *What is the primary product or service of your organization?*

Table 4.12A Organization's Product/Service	
Manufacturing	35%
Services	33%
Finance, Insurance, Real Estate	11%
Transportation, Communications, Utilities	8%
Retail Trade	7%
Wholesale Trade	3%
Construction	2%
Public Administration	1%
Total	100%

Question 25: *How many employees are there in your organization?*

Table 4.12B No. of Employees	
1001 or more	25%
501 to 1000	7%
101 to 500	18%
41 to 100	15%
21 to 40	9%
11 to 20	9%
6 to 10	6%
1 to 5	11%
Total	100%

Question 26: *What is your title?*

Table 4.12C Your Title	
Owner/Senior Management	44%
Marketing	16%
Sales	11%
Human Resources	1%
Other Managers	8%
Other Directors	6%
Secretary/Clerk/Administrator	6%
All Other	8%
Total	100%

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