JD Power/SITE Foundation Incentive Travel Survey 2016

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Abstract
Incentive travel is a multi-billion dollar segment of the travel industry that continues to grow. This white paper outlines the findings from the 2016 JD Power/SITE Foundation survey on incentive travel buyers and sellers, bringing particular focus to the considerations and concerns facing incentive travel professionals. Controlling program costs is a major focus as travel planners turn to less expensive destinations, accommodations and amenities while still seeking innovative and engaging experiences for participants. North American, Caribbean and European destinations are increasingly popular for incentive travel. Buyers and sellers of incentive travel services report growing concerns regarding economic volatility, regulatory changes that make travel more difficult for some populations, and safety issues such as local violence or terrorism. And while consolidation and disintermediation within the travel industry continue to influence planning decisions, incentive travel professionals maintain a largely optimistic outlook for growth in the near future.

Keywords
incentive travel, travel planners, business travel, destination management companies

Disciplines
Hospitality Administration and Management | Tourism and Travel

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Incentive travel is a multi-billion dollar segment of the travel industry that continues to grow. This white paper outlines the findings from the 2016 JD Power/SITE Foundation survey on incentive travel buyers and sellers, bringing particular focus to the considerations and concerns facing incentive travel professionals. Controlling program costs is a major focus as travel planners turn to less expensive destinations, accommodations and amenities while still seeking innovative and engaging experiences for participants. North American, Caribbean and European destinations are increasingly popular for incentive travel. Buyers and sellers of incentive travel services report growing concerns regarding economic volatility, regulatory changes that make travel more difficult for some populations, and safety issues such as local violence or terrorism. And while consolidation and disintermediation within the travel industry continue to influence planning decisions, incentive travel professionals maintain a largely optimistic outlook for growth in the near future.
Stephani K. A. Robson, Ph.D., senior lecturer, worked for several years in restaurants and retail food operations in her native Canada before deciding to pursue a college degree in the field. She graduated from the School of Hotel Administration in 1988, and began her career as a foodservice designer with Cini-Little International and subsequently with Marrack Watts in Toronto, Ontario. As a professional foodservice designer, she has designed kitchen facilities for hotels, restaurants, airports, hospitals, universities and catering halls. She joined the school’s faculty in 1993, earned a Master of Science in human-environment relations in 1999, and in 2010 completed her PhD at Cornell with a focus on consumer behavior in hospitality settings. Her academic interests center on how the design of environments affect consumer intentions, satisfaction and behavior. She is a specialist in the psychology of hotels and restaurants and has presented and published her research in a wide range of industry and academic forums around the world.
Businesses around the world use incentive travel to reward employees for a job well done and to motivate them to excel. In the United States, roughly 40% of businesses acknowledge their employees and partners with incentive travel, spending roughly $3.9 billion on such trips in 2015. While typically defined as a subset of business travel, incentive travel is often to world-class leisure or resort destinations, that have been expressly selected to feel like a reward rather than work for those employees eligible to participate. And incentive travel works: effective incentive travel programs have been demonstrated to increase productivity and teamwork, lower turnover rates, increase organizational loyalty, and boost worker morale. In addition to recognizing workers, firms use incentive travel to reward their customers: firms responding to a survey by the Intellective Group indicated that they spent $3.1 billion on incentive travel for their customers in 2015.

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2 Ibid.

3 For examples of academic research in this area, see:

4 Ibid.
Given the importance and size of the incentive travel industry, understanding the practices and perspectives of buyers and sellers of these services allows travel marketers to better position themselves in a period of rapid and significant change. To that end, J.D. Power, in partnership with the SITE Foundation, surveyed incentive travel professionals in the latter half of 2016 to uncover their perceptions, plans and concerns for the near future. This white paper summarizes the results of the survey and highlights important findings related to the current state of the incentive travel industry.

Survey Description

The 2016 SITE Index Benchmark Survey conducted by J.D. Power and Associates had 599 respondents from 62 different countries, an increase of roughly 50% over the number of completed responses received in the 2015 survey. For the first time, the 2016 SITE survey was conducted in three languages: English, Spanish and Mandarin, broadening the survey’s reach and increasing the robustness of its findings over similar surveys conducted in prior years. Of the completed surveys, 167 (27.9%) came from buyers of incentive travel, 400 (66.8%) from sellers of incentive travel services, and 32 (5%) identified as “additional interested parties” which included consultants, educators, and travel media. In order to distinguish the perspectives of incentive travel buyers from those of sellers, each group received survey questions tailored to their specific roles.

Respondent Profiles

Buyers were comprised of either third party suppliers who create incentive travel packages (71% of buyer respondents) or corporate users of incentive travel services (29%). Sixty percent of buyer respondents were from North America, 25% were from Europe, the Middle East and Africa (EMEA), and the remaining 15% of buyer respondents were from other areas of the globe including Asia and Australia.

Sellers were a slightly more diverse group, with approximately 40% from North America, 40% from EMEA, and 20% from the rest of the world. Respondents were predominantly destination management companies and hoteliers (together representing 75% of seller respondents) but also included convention and visitor bureaus, destination marketers, cruise lines, technology companies (see Graph 1). The 2016 survey had a significantly higher response from destination management firms than was the case in 2015.

Demographically, buyer and seller respondents were similar: about 60% female and in their mid-to-late forties on average. They were also seasoned veterans with long-standing knowledge and experience in the industry, averaging 18.1 years of experience for buyers and 17.8 years of experience for sellers.

Signs of Growth in Incentive Travel Volume

Overall, the survey uncovered positive signs for growth in incentive travel. Sixty percent of buyers reported plans to increase the number of individuals who are eligible for incentive travel (see Graph 2). Similar to 2015’s survey results, in 2016 just under half of buyers (49%) report that they plan to increase travel incentive budgets to some degree. In contrast, fewer sellers (44%) think that incentive travel budgets are increasing compared with 2015 (63%), and today’s sellers report receiving a median per person spend of only $1,500 in comparison to buyers’ reports of a median per person spend of $3,000. Corporate buyers reported spending slightly more per person year-over-year ($3,100 in 2016 versus $3,000 in 2015) while third party incentive travel suppliers indicated a 16% decline in per person spend ($3,000 in 2016 versus $3,500 in 2015).
Applying Strategies to Control Costs

The 78% of buyers that indicated that they were taking measures to control incentive travel program costs are planning shorter programs, choosing less expensive destinations, and selecting less expensive amenities among other strategies (see Graph 3). Corporate buyers were less likely to be looking to contain costs: 27% were not taking any cost-saving measures as compared with 19% of third party buyers. Third party suppliers were significantly more likely to reduce costs by cutting back on the duration of programs than were corporate buyers.
In response to buyers’ needs for keeping costs in line, almost all sellers reported that they are creating additional value by working closely with clients to create more engaging experiences through greater creativity and innovative event design (76%) or offering more for the same price (40%), including complimentary goods and services, waived rental fees, or upgraded accommodations (see Graph 4). Sellers also rewarded loyal buyers with benefits such as rebates, volume discounts, and upgrades.

Program Characteristics

Many characteristics of incentive travel programs remained similar to those identified in the 2015 survey. The typical length of stay is still about 4 days, with typically one day added for destinations that require more than three hours of travel time. As was the case in 2015, meetings during the stay are continuing to grow in importance. Corporate users were more likely to incorporate meetings than third party suppliers, with 58% of corporate respondents stating that meetings were always part of their incentive travel programming. Meetings are becoming more important from the seller perspective as well: sellers increased the proportion of trips that always had meetings from 19% in 2015 to 26% in 2016.

In planning incentive travel, buyers are paying greater attention to the age of those who qualify for incentive travel (42% versus 35% in 2015) when designing programs to best meet the needs of their participants. This is particularly the case for third party suppliers: 46% say they give “a great deal of consideration” to qualifier age as opposed to 31% of corporate buyers. This may reflect third party suppliers’ needs for greater responsiveness to client requirements in order to remain competitive.

Finally, regarding destination choice, incentive travel continues to increase the most in North America, the Caribbean and Western Europe, with North America being the top choice for both corporate users and third party suppliers (see Graph 5). However, third party suppliers are significantly decreasing their use of Western European destinations, with 19% responding that they have moved away from travel to this region.

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**Graph 4**

Seller actions to add value for incentive travel buyers
It's important to note that in some parts of the world, there is a preference to stay local for a variety of reasons, even though a significant amount of the benefit of incentive travel programs can stem from the global aspect of the travel opportunities. If a preference for close-to-home travel increases, the industry will need to add greater value to domestic travel programs by developing attractive travel incentives and staging memorable events within the region to excite and motivate qualifiers.

Program Effectiveness

In line with prior academic research, an impressive 99% of buyers surveyed believe that incentive travel programs are either somewhat or very effective. Buyers identified increasing profitability of the overall company, increased individual productivity and improved employee engagement/morale as their top three reasons for employing incentive travel programs (see Graph 6). Third party suppliers ranked increased individual productivity higher than company profitability whereas corporate users viewed these as equally important. Other than these minor differences, corporate users and third party suppliers are largely in agreement regarding the relative importance of positive program outcomes.

A substantial majority of both buyers (82%) and sellers (80%) believe that incentive travel is a powerful motivator of positive performance. However, only about one quarter of buyers reported that they routinely track the return on investment in incentive travel in any formal way (see Graph 7). There are two keys reasons that firms do not perform any ROI analysis: either such analysis is not required in their organizations, or incentive travel programs are simply accepted as being inherently valuable and thus are not seen as requiring confirmatory analysis.

However, given the importance of ROI analysis to effective decision making, a focus on tracking and measuring outcomes of incentive travel should become a priority for both buyers and sellers of incentive travel services. Sellers could benefit from developing ROI measurement tools to provide clients with a higher level of service and increase their value proposition. Buyers likewise can benefit from having an objective approach to demonstrating the effectiveness of incentive travel programs in order to provide data-driven support for future budget decisions. Developing partnerships between sellers and buyers to develop tools to measure and track incentive travel ROI may be a possible avenue for collaboration.
Graph 6

Rank order of importance of outcomes associated with incentive travel programs
(1 = most important and 8 = least important)

Graph 7

Frequency of Return on Investment (ROI) Analysis of Incentive Travel
External Influences on Incentive Travel Programs and Planning

An important goal of the survey was to capture respondents’ views about the impact of specific external factors on incentive travel. Some of these – notably sustainability and corporate social responsibility – are seen by many as likely to have a net positive effect on incentive travel (see Table 1). However, despite a general feeling of optimism about the effectiveness and growth potential of incentive travel, the survey respondents indicated notable unease regarding cost increases, political change, terrorism and the possible effects of an unsettled economy (see Table 2). Disintermediation within the travel industry is also of concern for the majority (57%) of buyers. While most of these external factors are beyond the direct control of buyers and sellers, there may be strategies that each can adopt to mitigate negative effects while bolstering those factors that have the potential to contribute positively.

The following sections examine each of these positive and negative factors in more detail.

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1 It is important to note that the 2016 SITE Index Benchmark Survey was conducted between August 11 and September 12, 2016. Respondents to the survey were reacting to known events and anticipated events that may differ notably from what has actually occurred since the survey closed.

**TABLE 1**

Events with Most Positive Impact

<table>
<thead>
<tr>
<th>Event</th>
<th>Buyers</th>
<th>Sellers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>The U.S. Economy</td>
<td>20%</td>
<td>28%</td>
<td>33%</td>
</tr>
<tr>
<td>Increased importance of sustainability</td>
<td><strong>28%</strong></td>
<td><strong>40%</strong></td>
<td><strong>67%</strong></td>
</tr>
<tr>
<td>Gas prices</td>
<td>9%</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>The World Economy</td>
<td>15%</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>Tightening of border security</td>
<td>6%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Airline costs</td>
<td>3%</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Lingering ‘AIG’ effect</td>
<td>6%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>Political elections</td>
<td>6%</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>Threat of terror groups</td>
<td>6%</td>
<td>14%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Percent indicating event had a ‘strong’ or ‘slight’ positive impact on incentive travel

**TABLE 2**

Events with Most Negative Impact

<table>
<thead>
<tr>
<th>Event</th>
<th>Buyers</th>
<th>Sellers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline costs</td>
<td>73%</td>
<td>71%</td>
<td>48%</td>
</tr>
<tr>
<td>The World Economy</td>
<td>56%</td>
<td>67%</td>
<td>57%</td>
</tr>
<tr>
<td>Threat of terror groups</td>
<td><strong>78%</strong></td>
<td><strong>61%</strong></td>
<td><strong>71%</strong></td>
</tr>
<tr>
<td>The US Economy</td>
<td>35%</td>
<td>44%</td>
<td>29%</td>
</tr>
<tr>
<td>Gas prices</td>
<td>37%</td>
<td>36%</td>
<td>38%</td>
</tr>
<tr>
<td>Tightening of border security</td>
<td>39%</td>
<td>39%</td>
<td>52%</td>
</tr>
<tr>
<td>Lingering ‘AIG’ effect</td>
<td>29%</td>
<td>33%</td>
<td>24%</td>
</tr>
<tr>
<td>Political elections</td>
<td>39%</td>
<td><strong>50%</strong></td>
<td><strong>62%</strong></td>
</tr>
<tr>
<td>Increased importance of sustainability</td>
<td>4%</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Percent indicating event had a ‘strong’ or ‘slight’ negative impact on incentive travel

Note: Items with green boxes are significantly higher than 2015 results

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Corporate Social Responsibility

Incorporating corporate social responsibility into travel programs continues to be important to both buyers and sellers and is viewed as having the most positive impact on incentive travel of all of the external factors noted in the survey. The majority of respondents indicated that they currently include at least one corporate social responsibility activity into their travel incentive programs. About a third of both buyers and sellers report specifically targeting corporate social responsibility efforts toward younger employees although the majority (70%) say they target such programs to all age groups equally.

Integrating social engagement during incentive travel may hold promise. Many luxury hotels already include social engagement in their programming. Four Seasons Hotels, for example, provides opportunities for meeting attendees to engage in team building activities that help the local community (e.g., planting trees, preparing meals for the needy, helping at a local hospital). Incentive travel planners should examine the potential of such activities to help strengthen the CSR activities of corporate buyers.

Increasing Role of Event Technology

While service providers of all types were seen as important to incentive travel buyers, 83% of buyer respondents noted that event technology suppliers – firms that design and create program events and experiences – are playing an increasingly important role in successful incentive travel programs. The demand for memorable, engaging and unique experiences continues to grow as do the number and scope of firms competing for this business. Over half (54%) of buyers surveyed said that they project having increased buying power with event technology suppliers over the next few years, while only 10% anticipate reducing their spending on this sector in the foreseeable future.

Industry Consolidation and Disintermediation

In the survey, buyers noted the continuing consolidation of travel-related firms. Thirty percent of buyers saw destination management firms as the next travel sector likely to consolidate, following the airline and hotel sectors which have been leaders in forming strategic partnerships or merging with competitors. There was less agreement among respondents regarding the consolidation status of event technology firms, third party suppliers, and specialty travel sectors such as cruises, but it is clear that all of these sectors are seeing consolidation to some extent. This consolidation suggests that it will be even more challenging for smaller organizations to compete, particularly because larger organizations can dedicate more resources to creating a strong online presence that makes it easier for buyers to book directly rather than go through a third party.

Although online search and other digital tools have broadened choices for incentive travel buyers, the majority of buyers (57%) think that this disintermediation in the travel industry has negatively affected their companies. This view is held primarily by third party suppliers, 70% of whom think the increase in the number of corporate buyers who work directly with lodging and transportation firms to book incentive travel has had a detrimental effect on their own organizations. Third party suppliers need to better demonstrate to buyers the value they provide, whether it is in saving buyers’ time and effort to plan and execute incentive travel programs or in the strong relationships that third party suppliers have established with hotel, airline and other travel companies that ensure the best possible experiences for their corporate clients.

Political Upheaval

The past twelve months have seen enormous political change worldwide with little indication of stability in the near future. Beginning with Britain’s “Brexit” vote to leave the European Union and continuing with a fractious American election, political uncertainty was significantly more important to respondents in 2016 when compared with the 2015 survey. Forty percent of buyers and 50% of sellers thought that political change would have either slight or notably negative effects on incentive travel. At the time of the survey, the outcome of the US election was unknown, and few could have predicted the rapid rise of populism in the US and in parts of Europe. The recent UK and French elections returned relatively mainstream governments to power in those countries, but there continues to be a great deal of disruption in the US as a result of the election and its aftermath.

Although there were grave concerns in the travel press about the negative impact that Britain’s exit from the EU could cause for the British meetings industry, in the year since “Brexit” the industry has not been notably affected, possibly due to a weakened pound which makes travel to Britain more affordable. However, concerns about labor cost and availability are mounting as major infrastructure projects that could affect tourism have the potential to be delayed if access to EU labor is curtailed. Furthermore, a second Scottish independence referendum sparked by the Brexit vote has currently been shelved but is likely to be revisited before 2020, which could affect demand in the British travel market.

Economic Uncertainty and Increasing Costs

Given the political upheaval described above, it is not surprising that economic concerns were also high on the list of potential impacts on incentive travel. Although 20% of buyers and 28% of sellers had a somewhat positive outlook on the US economy, a third of buyers and 44% of sellers thought the US economy would negatively affect their incentive travel programs. For sellers, this was a significant increase in negative sentiment over 2015. The world economy was even more of a concern: 56% of buyers and 67% of sellers had a negative view on the effect of world economic conditions, likely to stem from uncertainty over Brexit and the possible economic ripple effects worldwide.
The biggest individual economic issue for survey respondents continued to be airline costs, with over 70% of all respondents indicating that the cost to fly had a slight to strong negative impact on their programs. Gasoline prices were also viewed negatively by about one third of buyers and sellers.

**Border Security**

Existing border security policies were viewed negatively by some buyers and sellers although about half of those surveyed did not see this issue as a major concern. Similar proportions of both groups (38% of buyers and 39% of sellers) felt that tighter border controls would have a slightly or strongly negative effect on incentive travel programs. However, two significant regulatory changes related to border security have occurred since the survey was completed. The first is the Trump Administration’s executive order restricting travel from seven dominantly Muslim nations (Iraq, Iran, Libya, Sudan, Somalia, Syria and Yemen), which was greeted with major protests and injunctions from the courts when the policy was first announced in late January 2017. ForwardKeys, a travel data analysis consultancy, found that net travel bookings from these nations for the week immediately following the executive order’s announcement had declined by 80% year over year.

The effects of this “travel ban” could spread well beyond inbound travel from affected nations. According to a poll by the Global Business Travel Association, roughly one third of US business travel professionals expect some level of reduction in their company’s travel due to the executive order, and 17% of European travel professionals reported that their companies had cancelled business travel to the US on account of the ban. In the same poll, 51% of respondents believed that there could be retaliatory policies from affected countries that will make travel for US nationals more challenging, and 41% believed there will be increased threats against US travelers abroad. 45% of European respondents said their companies would be less willing to plan meetings in the US and 38% would be less willing to send business travelers to the country. It follows that incentive travel would be similarly curtailed should the executive order be applied as written. At this writing, a revised version of the original travel ban is in effect but is being challenged on a number of legal fronts.

In a related vein, in early March 2017, the US government initiated enhanced visa screening for citizens of many countries including China, Mexico, and Brazil – all of which have been important sources of tourism demand that could be greatly reduced if visa processing is not expedited. On another visa front, citizens of some EU countries are not eligible for US visa waivers while other EU citizens are, despite the fact that visa reciprocity within the EU is a cornerstone of EU policy. In response, the European Parliament voted in March to suspend visa waivers for US travelers to the EU but this policy has not yet been put into place. Discussions between the US and the EU are continuing but visa-free passage for all EU and US citizens has not yet been established.

A second major regulatory change introduced in early 2017 was the restriction on the use of laptop computers and other large electronic devices on inbound aircraft from eight Middle Eastern nations. This ban was not initially directed at flights from other nations, but if enacted, such a regulation could affect up to 65 million passengers and reduce business-related travel – including incentive travel – across the globe. As an illustration of the possible fallout from this policy, a poll by Meetings and Conventions found that 69% of respondents would possibly or definitely avoid traveling to meetings in locations affected by the ban. As of July 2017, all airlines with flights into the United States have agreed to comply with elevated screening and other security measures, thus eliminating the need to wholly ban laptops and similar devices. But the fact that such a ban can and has been enforced raises the potential for regulatory measures such as this in the future with potentially significant effects on inbound travel.

**Other Regulatory Change**

Travel professionals of all types continue to monitor the likely effects of further changes in US government policies and regulations, although buyers indicated that most of these changes are unlikely to significantly affect their incentive travel programs. The majority of buyers (82%) responded that the Affordable Care Act (still in place at the time of the survey) would have no effect on RFP scopes of service, but 31% felt that new pharmaceutical industry compliance laws would reduce opportunities. New regulations for financial transparency were viewed as detrimental by one fifth of respondents, positive by another fifth, and as neutral by the remaining 60% of buyers. And the “AIG effect”, a response to strongly negative publicity incurred by the insurance giant for holding costly incentive travel events shortly after receiving government funds, still lingers: roughly 30% of respondents believe there is still sufficient sensitivity to such spending that their incentive travel plans could be affected.

**Terrorism and International Conflict**

A growing number of buyers (78%) and sellers (61%) revealed that they believe the threat of terrorism will have a strong, negative impact on incentive travel programs. This represents a marked increase over the results of the 2015 survey but is not surprising given the terrorist attacks in France, Britain, Belgium and elsewhere during 2015 and early 2016. Such concerns could further increase given more recent incidents such as those in London, Manchester, and Las Vegas. In addition, drug-related violence in Mexico has notably reduced tourism activity in once-popular destinations like Acapulco. The survey did not explicitly identify Mexico and Central America as destination options but rather included them in North America, making it difficult to

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*Press Releases from the Global Business Travel Association: http://www.gbta.org/PressReleases/Pages/rls_020217.aspx; http://www.gbta.org/PressReleases/Pages/RLS_030817.aspx*
determine what specific effect this violence is likely to have on incentive travel to these areas. But given the widespread concern regarding terrorism, it might be expected that incentive travel to areas recently suffering from violence from all sources will be negatively affected. STR data suggest that the degree to which a market relies on discretionary travel, coupled with the availability of viable alternative destinations nearby, are the main drivers of travel demand fall-off after a terrorism attack\textsuperscript{vii}.

Since the 2016 survey was completed, increased tensions in the Middle East and in Asia have made travel to destinations like Qatar or South Korea more of a concern for many. While specific hostilities are largely unpredictable, no doubt these conditions will continue to impact international travel demand.

Summary

Incentive travel buyers and sellers are largely optimistic about the growth and potential of incentive travel programs in 2017, as most buyers say eligibility and budgets are increasing overall. They feel these programs have many demonstrable benefits and are positively influenced by trends such as sustainability and the use of event technology suppliers. Destinations in North America, the Caribbean, and Western Europe continue to be most popular with survey respondents (the majority of which were based in North America and Europe), although choosing closer destinations to reduce travel time is one of several approaches being deployed to keep program costs in check.

Incentive travel professionals are concerned about a number of external factors that they feel could negatively affect their programs in the next few years. At the top of the list were issues like terrorism, increased air travel costs, and upheaval due to increased political and economic volatility worldwide. Industry changes such as consolidation within travel sectors and disintermediation were likewise concerns, although corporate buyers were less worried about the impact of these trends than third party suppliers.

For purchasers and suppliers of incentive travel programs, the key takeaway from this survey is recognizing the need to offer engaging and innovative programs in a high-value, cost-effective way in a climate of uncertainty and increasing competitiveness. □

\textsuperscript{vi} M&C Research Survey, July 2017. 

\textsuperscript{vii} STR: London Hotel Market Demonstrates Resilience to Terror, July 2017. 
http://www.hotelnewsnow.com/Articles/148807/London-hotel-market-demonstrates-resilience-to-terror
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