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Form 1: Proposal for a new field of technical activity

Circulation date: Click here to enter text. Closing date for voting: Click here to enter text.	Reference number (to be given by Central Secretariat)
Proposer: ANSI (USA)	**ISO/TS/P** Click here to enter text.

A proposal for a new field of technical activity shall be submitted to the Central Secretariat, which will assign it a reference number and process the proposal in accordance with the ISO/IEC Directives (part 1, subclause 1.5). The proposer may be a member body of ISO, a technical committee, subcommittee or project committee, the Technical Management Board or a General Assembly committee, the Secretary-General, a body responsible for managing a certification system operating under the auspices of ISO, or another international organization with national body membership. Guidelines for proposing and justifying a new field of technical activity are given in the ISO/IEC Directives (part 1, Annex C).

The proposal (to be completed by the proposer)

Title of the proposed new committee (The title shall indicate clearly yet concisely the new field of technical activity which the proposal is intended to cover.) Incentives, Rewards, and Recognition

Scope statement of the proposed new committee (The scope shall precisely define the limits of the field of activity. Scopes shall not repeat general aims and principles governing the work of the organization but shall indicate the specific area concerned.)

Standardization in the field of incentives, rewards, and recognition will include classification, terminology and nomenclature, management practices and metrics that comprise the development, delivery, assessment and control of third-party acknowledgement and motivation solutions. Covered subjects would include products and services from third party companies that develop incentives, rewards, and recognition program development, program management, training, measurement and analytics, supply chain management, financial management and other related functions where organizational management applies defined methods to acknowledge or motivate employee performance and productivity or to increase customer acquisition, satisfaction, retention and loyalty. Incentives, reward, and recognition systems for performance improvements in sales, safety, engagement, retention and other business functional environments are also within scope. Intrinsic incentives, rewards, and recognition, non-material and those unique to the organizational or national cultures are also in scope (i.e. verbal appreciation, physical acknowledgement between parties, gifts of local cultural significance, corporate gifting, rewards points, traditional achievement and service awards, certificates and trophies.) Out of scope are the normal compensation and benefits programs that organizations provide to remunerate employees for expected performance from client organizations, e.g. cash compensation, health benefits, etc.

Proposed initial programme of work (The proposed programme of work shall correspond to and clearly reflect the aims of the standardization activities and shall, therefore, show the relationship between the subject proposed. Each item on the programme of work shall be defined by both the subject aspect(s) to be standardized (for products, for example, the items would be the types of products, characteristics, other requirements, data to be supplied, test methods, etc.). Supplementary justification may be combined with particular items in the programme of work. The proposed programme of work shall also suggest priorities and target dates.

The proposed program of work for the standardization of incentive, reward, and recognition processes and metrics:

1) Primary management standards
    a. Terminology or Vocabulary
    b. A standard that describes and defines a classification system.
    c. Standards that define effective third party incentives and recognition program management
        i. Strategy and Development (identification of objectives, executive sponsorship, products and services, management involvement, and tie to corporate goals)
        ii. Cost and productivity management (e.g. eligibility requirements, materials management, equity, delivery of services, vendor negotiations, communications management, use of technology)
        iii. Financial management (e.g. budgeting, cost accounting, valuation, return on investment or return on objective, training, acknowledgement delivery)
        iv. Other (Needs assessment, travel related issues, communications methods, telework based, philanthropy based, worker engagement, piecework based)
2) Metrics and Analytics
3) Supporting standards
    a. Supply Chain management (with consideration of ISO/PC 277 Sustainable procurement)
    b. Risk management (In liaison with ISO/TC 262 Risk management)
    c. Asset management (In liaison with ISO/TC 251 Asset management)
    d. Tenure focused standards
    e. Safety incentive aspects (In liaison with ISO/TC 283 Occupational health and safety management systems
    f. Sales incentive travel aspects (In liaison with ISO/TC 222 Tourism and related services)
    g. Human Resource factors (In liaison with ISO/TC 260 Human resource management)
    h. Healthcare Incentive Systems (in liaison with ISO/TC 304 Healthcare organization management)
    i. Performance (In liaison with ISO/TC 312 Service excellence)
    j. Quality aspects (in liaison with ISO/TC 176 Quality management and quality assurance)

Indication(s) of the preferred type or types of deliverable(s) to be produced under the proposal (This may be combined with the "Proposed initial programme of work" if more convenient.)

Eighty five percent of worker incentive and rewards products and services and purchased and delivered by the operational, executive, sales, and manufacturing functions an organization. These activities are now managed by units across most organization. Preferred deliverables from this work would include ISO standards and technical specifications on the effective development, deployment and assessment of incentive, reward, and recognition programs that are developed by third party companies and purchased by a client organization. Some questions which could be the foundation of NWIPs that this technical area is considering include:

- What materials are best for developing gift cards?
- What should be done with unused credit on gift cards that are held by third parties?
- What types of merchandise do employees value most?
- Is the “trophy” value of an award or reward significant in the minds of the recipients?
- How do recipients differentiate between promotional merchandise and gift cards when valuing the reward?
- What is promotional merchandise?
- Do recipients prefer a selection of product options from a catalogue of selected branded merchandise?
- Do award recipients prefer an experimental reward, such as travel, recreational or event options or even educational programs?

A listing of relevant existing documents at the international, regional and national levels. (Any known relevant document (such as standards and regulations) shall be listed, regardless of their source and should be accompanied by an indication of their significance.)

There are currently no known international, regional, and national documents that address the effective use of incentive, reward, and recognition systems.

- RPI Seven Standards: https://www.recognition.org/page/best_practice?

- Incentives, Motivation, and Workplace Performance: Research and Best Practices: http://theirf.org/research/incentives-motivation-and-workplace-performance-research-and-best-practices/147/

IMA Guidelines for Developing Incentive Programs:
https://www.incentivemarketing.org/IMA/Resources/IncentiveAndRecognitionProgramBasics/How_to_Develop_an_Incentive_Program/IMA/Resources/How_to_Develop_an_Incentive_Program.aspx?hkey=d6691df6-3392-4d23-a4cf-3d4f19c8a4d4

The World Health Organization has published "Guidelines: incentives and recognition for health professionals (2008)" which describes some of the different approaches taken and presents characteristics shared by effective incentive schemes. The paper also suggests some approaches to their development and implementation. It can be accessed at:
http://www.who.int/workforcealliance/knowledge/publications/alliance/Incentives and recognition_Guidelines%20ENG%20low.pdf

The following industry studies represent the research on this technical area that has been conducted in the United States.

- A Study of the Incentive Merchandise and Travel Marketplace December 2000
- Incentive Federation Study June 2003
- Incentive Federation Study May 2005
- Incentive Merchandise and Travel Marketplace Study August 2007
- Incentive Market Study October 2013 (ATTACHED)
- Incentive Marketplace Estimate Research Study 2015-2016 White Paper (ATTACHED):

A statement from the proposer as to how the proposed work may relate to or impact on existing work, especially existing ISO and IEC deliverables. (The proposer should explain how the work differs from apparently similar work, or explain how duplication and conflict will be minimized. If seemingly similar or related work is already in the scope of other committees of the organization or in other organizations, the proposed scope shall distinguish between the proposed work and the other work. The proposer shall indicate whether his or her proposal could be dealt with by widening the scope of an existing committee or by establishing a new committee.)

Based on a review of existing ISO and IEC standards, technical specifications, and other related documents, there are no existing work projects that address the technical aspects involved in these standards. However, incentive, reward, and recognition system standards can support the implementation of any standards that deal with employee services. Linking the technology of employee and sales motivation to the practice standards in service, safety, human resources, project management, and financial services will result in more effective adoptions of these standards. We consider the incentive and recognition standards to be essential "enablers" of the service standard movement currently underway within ISO.

A listing of relevant countries where the subject of the proposal is important to their national commercial interests.

Developed countries with large, mobile workforces will initially have the greatest near term interest in this standard. Since the goals of their employers will be to retain and improve their current workforce performance. U.S., Canada, UK, France, Germany and several large economics in the Asia/Pacific region (APAC) are immediate picks. However, developing countries will require approaches to reduce the drain of talent to developing countries. Effective incentive and recognition management offer employers in these regions a method to keep talent. Although most international incentive organizations are headquartered in the US (IMA, PPAI, SITE, RPI and the IRF), they have extensive international membership, chapters, and customers.

A listing of relevant external international organizations or internal parties (other ISO and/or IEC committees) to be engaged as liaisons in the development of the deliverable(s). (In order to avoid conflict with, or duplication of efforts of, other bodies, it is important to indicate all points of possible conflict or overlap. The result of any communication with other interested bodies shall also be included.)

International Labour Organization (ILO)

United Nations (UN)

European Union (EU)

World Health Organization (WHO)

Embankment Project for Inclusive Capitalism (EPIC)

All Multilateral Organizations that are interested in retaining talent and improving performance

The new Technical Committee will actively seek opportunities to coordinate and liaison with all of the internal parties below. The new TC's scope prohibits standards development in compensation and benefits. Therefore, the new standards will be complementary, mutually reinforcing documents. The TC will have an opportunity to normatively reference standards from committees with existing relevant contents: human resources, risk management, and quality management for example.

ISOI/IEC Technical Committees:

- ISO/TC 176 Quality management and quality assurance
- ISO/TC 222 Tourism and related services
- ISO/TC 251 Asset management
- ISO/TC 260 Human resource management
- ISO/TC 262 Risk management
- ISO/PC 277 Sustainable procurement
- ISO/TC 283 Occupational health and safety management systems
- ISO/TC 304 Healthcare organization management
- ISO/TC 312 Service excellence

A simple and concise statement identifying and describing relevant affected stakeholder categories (including small and medium sized enterprises) and how they will each benefit from or be impacted by the proposed deliverable(s). Employees will benefit by being consistently and effectively motivated to perform beyond the expectations on their role through thoughtful application of incentive and recognition technology and systems aligned with the corporate mission. Employers will benefit by higher productivity, reduced turnover, reduced grievances, improved employee engagement and innovation, higher discretionary effort, increased sales, and lower employee costs though wiser incentives and recognition use. They will also have access to best in practice third party approaches to incent and reward employees. Organizational leaders can establish a link between the strategy of their organizations and the individual performance using incentives and recognition standards. They will also be equipped to measure the performance of these incentive and recognition systems in an apple-to-apples fashion. Organizational owners will see and advocate for third party incentives and recognition solutions that clearly drive improved organizational outcomes, which benefits both employees and shareholders Organizations that provide incentive, reward and recognition programs, materials, and systems will enjoy a reduction in their services and manufacturing expenses (or these costs will at least be more predictable) as consistency and economies of scale emerge in the field Insurance companies will benefit from lower incidents of accidents since employees will be incented properly to avoid safety issues in the workplace resulting in a healthier organization. Developing countries can implement proven and effective technology to maintain talent within their borders, if not encourage talent outside their communities. Incentive, reward, and recognition providers will enjoy the benefits of sharing effective management practices that will drive poorly performing organizations in this field to improve their quality of products and services or leave the industry. Society in general will be benefited by workers who perform at their best through active and equitable levels of encouragement
An expression of commitment from the proposer to provide the committee secretariat if the proposal succeeds. The Incentives Federation Inc. (IFI) is prepared to assume the functions of secretariat of the ISO committee if formed and it is ANSI's intention to designate IFI to serve in that role. The Chairperson of IFI and its Board fully commits to provide the material support and staff necessary to develop of these ISO standards. At minimum, this staff will have an organizational leader with primary responsibility for the administration of this effort with a direct reporting relationship to the Chairperson. IFI also commits to sending a staff member to all required training and meetings that will sufficiently prepare them to accomplish thee duties. IFI will also participate in standards support activities that further the interest of standards development in general.

Purpose and justification for the proposal. (The purpose and justification for the creation of a new technical committee shall be made clear and the need for standardization in this fieldshall be justified. Clause C.4.13.3 of Annex C of the ISO/IEC Directives, Part 1 contains a menu of suggestions or ideas for possible documentation to support and purpose and justification of proposals. Proposers should consider these suggestions, but they are not limited to them, nor are they required to comply strictly with them. What is most important is that proposers develop and provide purpose and justification information that is most relevant to their proposals and that makes a substantial business case for the market relevance and the need for their proposals. Thorough, well-developed and robust purpose and justification documentation will lead to more informed consideration of proposals and ultimately their possible success in the ISO IEC system.)

Below are seven justifications that provide compelling support for the start of this new technical area.

Justification 1: 86% of businesses in the U.S. alone now use non-compensation incentives, rewards and recognition in some manner to motivate their employees or sales channel. With little to no national or international standards guiding them, results from these programs can vary widely. As additional research shows a direct link to increased business results through properly deployed targeted engagement programs using incentives, rewards and recognition failure to employ standards from the outset leaves organizations and nation-states at a risk for suboptimal performance.

Justification 2: Research shows there is a stark difference between how high performing organizations design their programs versus average or poor performing businesses, showing strong connection to potential industry gain from standards. Establishment of standards for incentives, rewards, and recognition allows organizations and nations to realize these gains at a faster pace than without their existence.

Justification 3: The U.S. spends conservatively over $90 Billion a year on non-cash incentives and recognition with no ability to offer economies of scale or cost efficiencies through guidelines with significant dollars spent on implementation of departmental or organization-wide programs. The establishment of incentive, reward, and recognition administrative standards will reduce the cost of implementing and managing these programs by providing seasoned metrics and established practices.

Justification 4: There is no way currently to identify "good" third party programs or providers in the market, nor any current, consistent way to measure the outcomes of IRR Programs. Without the establishment of these standards, organizations and nations are at risk for poor performing programs and organizations to multiply.

Justification 5: Reward and Incentives are included in many other standards with little to no direction on how to do so cost effectively or with impact. The increase in these recommendations of these elements with no guidance from ISO on standards for implementation exacerbates the risks discussed above.

Justification 6: Legal entities and corporate organizations seek guidance from corporate organizations and industry representatives who may have different perspectives on important issues. Without a unifying model to determine effective practice in motivating employee performance, the legal risks of harms that affect organizations and employees goes unchecked.

Justification 7: Many multi-national organizations expand stateside incentive, rewards, and recognition programs across departments and organizations in other nation-states without a common understanding of the pitfalls of doing so without best practices.

According to the Industrial Time Study Institute, “an incentive is intended to motivate a person or people **to put forth increased effort**. (emphasis added) Incentive systems are plans that link employee compensation to some measure of company success.” [i]
Signature of the proposer American National Standards Institute (ANSI) 25 West 43rd Street, 4th Floor New York, NY 10036 Phone: Email:

Further information to assist with understanding the requirements for the items above can be found in the Directives, Part 1, Annex C.

[i] Accessed from https://industrialtimestudy.com/incentive/ on 6 June 2019

Incentive Market Study

October 2013

A Study Conducted among Current Users of

Merchandise, Gift Card and Travel Items

for

Recognition, Motivation, and Incentive Programs

Has been supported by the members of The Incentive Federation and the following sponsors:

Incentive Marketing Association

Incentive Research Foundation

Promotional Products Association International

SITE

IncentPros

O.C. Tanner

Rideau

Background

The Incentive Federation, in partnership with Aspect Market Intelligence, collected data from a national sample of business executives to estimate the size of the non-cash incentives marketplace.

Executive Summary

A study of a cross-section of US businesses confirms that incentive travel, merchandise, and gift cards are popular tools for firms seeking to reward and recognize their employees, sales teams, channel, and customers. Key findings from the study include:

- 74% of U.S. businesses use non-cash rewards to recognize and reward key audiences in the form of incentive travel, merchandise, or gift cards
- U.S. businesses spend $76.9 billion per year on incentive travel, merchandise, and gift cards
- 98% of businesses running non-cash programs include merchandise or gift cards as a reward, spending $54.4 billion each year
- 46% of businesses running non-cash programs include incentive travel as an award, spending $22.5 billion per year
- Smaller firms account for half of the market based on the sheer number of these companies

Methodology

To ensure sufficient sample, multiple sources were used. Random sample was purchased from Hoovers and OneSource, and supplemented with in-house lists from Incentive Solutions, PreVUE, Incentive Magazine, RPI, SITE, IMA, Sales & Marketing Magazine, and the Research Now B2B panel. A fifteen-minute survey was distributed via email invitation. Data collection took place between July and September 2013.

A total of 1,952 business people responded to the survey. Of those, 526 are responsible for managing an incentive or non-cash rewards program and provided budget information. This sample size provides a 95% confidence level and 4.27% margin of error. This means if the study was replicated, 95 times out of 100 the results would be within 4.27% of the results presented in this paper – a very high degree of reliability.

See the appendix for notes regarding efforts to control estimation error.

Weighted Calculations

Because the study objective is to project findings to the population of U.S. businesses, measures of incidence and market size are statistically weighted to reflect the highly-skewed distribution of firms; for every firm over $1 billion in revenues, there are 472 firms between $1 and $10 million in annual revenues.

Company Revenue	Number of US Companies	Percent of All Companies Over $1Million in Revenue
$1 to $10 million	1,244,164	86%
$10 to $100 million	176,850	12%
$100 million to $1 billion	17,974	1%
Over $1 billion	2,631	0.2%
Totals	**1,441,619**	

Findings

<u>Incidence of Non-cash Incentives</u>

A total of 74% of US businesses use some type of non-cash award program. Incidence of non-cash programs increases with company size, as shown below.

Company Revenue	Non-cash Reward Incidence*
$1 to $10 million	73%
$10 to $100 million	80%
$100 million to $1 billion	85%
Over $1 billion	89%
Weighted Incidence	**74%**

**To avoid bias, incidence calculations exclude respondents from industry lists such as Incentive Magazine.*

<u>Type of Program</u>

Respondents were asked whether their firm uses non-cash rewards in five categories: Sales, Channel, Employee, Customer Loyalty, and Corporate Gifts. Programs were defined as follows and presented in this order:

- Reward and/or motivate desired behaviors and achievements among your company's ***salespeople***?
- Reward and/or motivate desired behaviors among your company's ***channel or dealer partners***?
- Reward and/or motivate desired behaviors and achievements among your company's ***employees***?
- Reward and/or motivate your company's ***customers*** as part of a loyalty program?
- Show appreciation to/thank ***clients, prospective clients, or partners*** for their business?

Non-cash Employee programs are the most prevalent, followed closely by Corporate Gifts. Non-cash Sales programs are present in almost one-half of U.S. businesses, and non-cash Customer Loyalty programs are present in one-third. Non-cash Channel programs are the least prevalent, with one-quarter of U.S. firms reporting the presence of these programs. The incidence of all program types increases with firm size.

	Weighted Total Incidence*
Sales Non-cash Rewards	46%**
Channel Non-cash Rewards	26%
Employee Non-cash Rewards	56%
Customer Non-cash Rewards	32%
Corporate Gifts	53%

**To avoid bias, incidence calculations exclude respondents from industry lists such as Incentive Magazine.*
***Calculations are based to all U.S. businesses, not just those offering non-cash awards.*

Respondents were asked what types of non-cash awards were used in their various programs. Award types were defined in two categories: incentive travel and merchandise/card. The categories were specifically defined for respondents as below:

Incentive trips – travel experiences to motivate and/or recognize participants for superior performance in support of organizational goals. With these programs, incentive travel is the key award. Participants may win a spot on a group travel program, or they may be able to select from among various travel packages – either group or individual. Related expenses including room and other gifts are included.

Points-based or merchandise awards - these are merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of different values, gift certificates/gift cards, experiences, or individual travel. These programs may allow participants to redeem points for awards of their choice, or earn different awards based on level of achievement.

Not surprisingly, the use of incentive travel and merchandise/gift card differs across program types. The incidence of incentive travel is highest within Sales programs and lowest within Customer Loyalty. Merchandise/card use is highest in Channel and Customer Loyalty programs.

	Program Incidence*	Use Incentive Travel**	Use Incentive Merchandise/Card**
Sales	46%	53%	60%
Channel	26%	33%	75%
Employee	56%	43%	60%
Customer	32%	27%	74%
Corporate Gifts	53%		53%

**Calculations are based to all U.S. businesses, not just those offering non-cash awards.*

*** Travel and merchandise/card incidence is within companies using non-cash incentives for that audience. For example, within companies offering non-cash Sales incentives, 53% of companies use incentive travel as an award, and 60% offer merchandise/card awards.*

Market Size

Program Budgets

Respondents were asked to provide annual spend for incentives. Categories ranging from "Less than $1,000 per year" to "Over $1 Million per year" were offered. As expected, the data indicates larger firms have higher budgets, with a large proportion of firms in the $1,000 to $10,000 category, with many firms also in the "Between $10,000 and $100,000" category.

For the Incentive Travel category of spend, average budgets are as follows. While the budgets may look significant, incidence of incentive travel rewards are lower than merchandise/card for Employee and Customer programs – these budgets are within firms that use those types of awards.

Group	Sales Incentive Travel Spend	Channel Incentive Travel Spend	Employee Incentive Travel Spend	Customer Incentive Travel Spend
$1 to $10 million	$ 18,547	$ 8,800	$ 16,995	$ 12,513
$10 to $100 million	$ 36,488	$ 47,875	$ 60,508	$ 34,853
$100 to $1B	$ 106,978	$ 86,578	$ 74,095	$ 75,264
$1B plus	$ 475,105	$ 372,868	$ 354,935	$ 310,475

For Merchandise/Gift Card spending, budgets follow a similar pattern.

Group	Sales Merchandise & Card	Channel Merchandise & Card	Employee Merchandise & Card	Customer Loyalty Merchandise & Card	Corporate Gifts Merchandise & Card
$1 to $10 million	$ 20,118	$ 10,600	$ 10,331	$ 21,191	$ 24,209
$10 to $100 million	$ 73,546	$ 33,883	$ 68,081	$ 149,341	$ 112,903
$100 to $1B	$ 128,640	$ 99,100	$ 68,755	$ 178,893	$ 113,458
$1B plus	$ 352,930	$ 362,526	$ 325,315	$ 407,868	$ 292,895

Total market size is calculated by extrapolating the average incentives spend within firm size to the population of U.S. businesses of that size using non-cash awards. As shown in the table below, the total size of the non-cash incentives market is $76.9 billion; non-cash Sales rewards is the largest category of spend.

	Total Market	Percent of Market
Sales Non-cash Rewards	$21,452,080,306	28%
Channel Non-cash Rewards	$6,656,838,829	9%
Employee Non-cash Rewards	$18,134,743,466	24%
Customer Non-cash Rewards	$15,178,452,035	20%
Corporate Gifts	$15,510,046,909	20%
Total	**$76,932,161,544**	

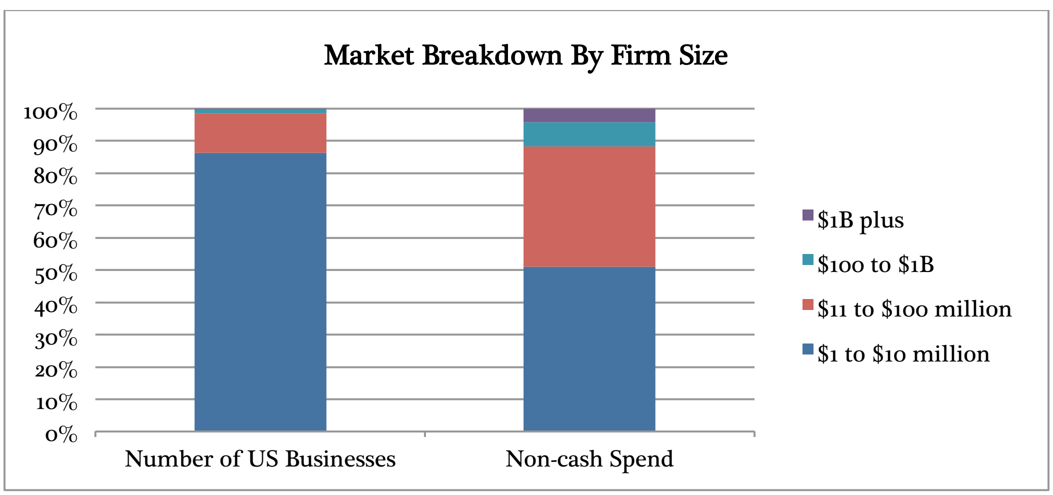
Partially driven by the finding that more U.S. firms use these types of programs, the total market spending for incentive travel is dominated by Sales and Employee programs. On the merchandise side, Corporate Gift spending is highest, followed by nearly-equal spending in Sales and Customer Loyalty programs.

	Incentive Travel	Incentive Merchandise/Card	Total Spend
Sales Non-cash Rewards	$ 8,887,138,807	$ 12,564,941,499	$ 21,452,080,306
Channel Non-cash Rewards	$ 2,419,830,036	$ 4,237,008,793	$ 6,656,838,829
Employee Non-cash Rewards	$ 8,809,417,779	$ 9,325,325,687	$ 18,134,743,466
Customer Non-cash Rewards	$ 2,469,318,250	$ 12,709,133,785	$ 15,178,452,035
Corporate Gifts		$ 15,510,046,909	$ 15,510,046,909
Total	**$ 22,585,704,871**	**$ 54,346,456,673**	**$76,932,161,544**

It is also informative to evaluate the breakdown of the $76.9 billion market by size of firm. As shown in the table below, because of the sheer number of firms in the smaller business category, more than half the market is accounted for by firms between $1 million and $10 million in annual revenue.

Group	Total Market Spend	Percent of Market Spend
$1 to $10 million	$39,330,173,430	51%
$10 to $100 million	$28,571,534,479	37%
$100 million to $1 billion	$5,751,519,589	7%
Over $1 billion	$3,278,934,045	4%
Total	**$76,932,161,544**	

Although the size of the market is largely driven by the large population of smaller firms, the higher incidence and larger budgets deployed by mid-sized and large firms result in a shift in proportions – while small firms account for 86% of U.S. firms, they account for only 51% of the non-cash incentive spending.



Spending Breakdown for Incentive Travel

For incentive travel, in which travel is the key award, participants generally report their spending is divided equally between individual and group trips. The two exceptions are in the Employee and Customer categories, where firms spend relatively less on group travel.

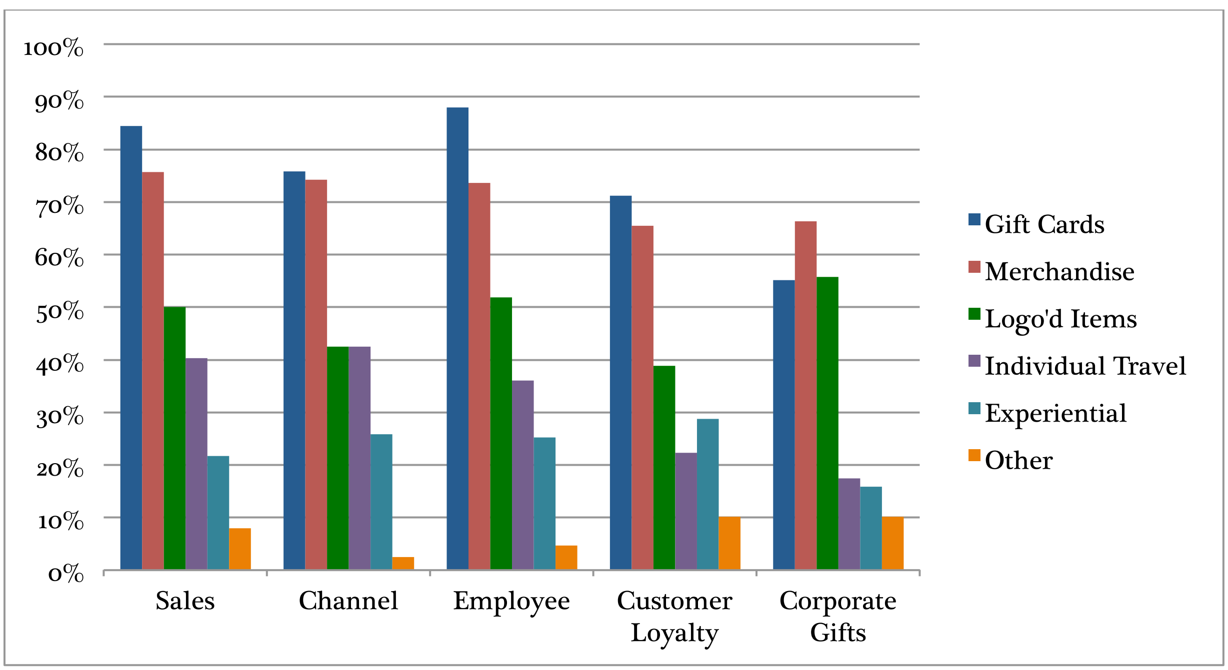
	Group Travel	Individual Travel
Sales Programs	48%	48%
Channel Programs	49%	47%
Employee Programs	41%	54%
Customer Loyalty Programs	41%	50%

Award Breakdown for Merchandise/Card

Of the 74% of U.S. firms using non-cash incentives to motivate or appreciate their stakeholders, 98% are using merchandise awards and 46% are using incentive travel.

For incentive travel, participants generally report their spending is divided equally between individual and group trips. The two exceptions are in the Employee and Customer categories, where spending skews more toward individual travel.

Among firms using incentive merchandise, the breakdown of awards varies by program type. Gift cards are much more frequently used for Employee programs (88%) than for Corporate Gifts (55%), while merchandise is used relatively evenly across program types.



Conclusions

The findings confirm that the incentives market is very large and thriving – the 74% of US businesses using incentive travel, merchandise, and gift cards spend $76.9 billion annually in this category. The market is largely driven by smaller businesses (those between $1 and $10 million in annual revenue), whose budgets are considerably smaller, but the huge number of these businesses creates a $39 billion market. Non-cash Sales incentives are the largest category, with $21.4 billion in spending annually.

Special Thanks

The Incentive Federation would like to recognize the following organizations for their support.

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Appendix

Efforts to Control Estimation Error

Aside from the issue of sampling, a B2B study such as this will include inherent bias that will affect the accuracy of market projections. This error has been deemed tolerable by the sponsors because any error of projection will likely make the estimates conservative – underestimating the market, not overstating it.

1. False negatives: It is likely that the true incidence of gift card programs is higher in the marketplace than reported here. The likelihood of a respondent being unaware of a program is higher than the likelihood of a respondent believing there is a program where one is not. This is particularly true in larger companies, where a respondent typically will not be aware of the activities of various divisions, subsidiaries, and locations.
2. Multiple decision-makers: As firm size increases, so too does the number of divisions and locations. The Fortune 500 are complex microcosms unto themselves, with subsidiaries, branches, divisions, operating units, etc. It is unlikely a respondent will have perfect information within a company with revenue above $100 million, and firms over $1 billion are highly complex. Interviewing a stakeholder in marketing, for example, may give some information about the activity of that department, but is unlikely to yield accurate data for sales, HR, operations, and other departments.
3. Discretionary spend: In many large companies, department managers will use some small part of their budget, or perhaps their own money, to buy "thank you gifts" for their teams. The amount a single manager spends may be small, but in a firm with thousands of managers, the impact on the market is worth noting. These funds may not be captured in the "official" program budgets of the firm.

All of this to say, the findings of this study are far more likely to understate the size of the non-cash incentives market than overstate it.

Incentive Marketplace Estimate Research Study

Conducted by Intellective Group, St. Louis, Missouri
for the

Incentive Federation Incorporated
July 2016

Supported by the members of the Incentive Federation and its key Association sponsors:

The Incentive Marketing Association
The Incentive Research Foundation
The Promotional Products Association International
The Society for Incentive Travel Excellence

Background

The Incentive Federation in partnership with Intellective Group, collected data from a national sample of business executives to estimate the size of the non-cash incentives marketplace.

Executive Summary

A study of a cross-section of US businesses confirms that award points, gift cards, incentive travel, and merchandise are commonly used tools for firms seeking to reward and recognize their employees, sales teams, channel partners, and customers*. Key findings from the study include:*

- *84% of U.S. businesses use non-cash rewards to recognize and reward key audiences in the form of award points, gift cards, incentive travel, and merchandise – up from 74% in 2013*
- *In 2015, U.S. businesses spent $90 billion on these types of non-cash rewards, up from $77 billion in 2013*

Methodology

A total of 1,392 business people completed a 15-minute web survey in December of 2015; 400 qualified to complete the full survey based on their role in managing an incentive or non-cash rewards program. The respondents were sourced using a curated research panel. This sample size provides a 95% confidence level and a 2.6 margin of error for estimates of incidence and a 5% margin of error for estimates of spend. This means if the study was replicated, 95 times out of 100 the results would be within 5% of the results presented in this paper – a very high degree of reliability.

See the appendix for notes regarding efforts to control estimation error.

Changes from Prior Studies

Several changes were made to the survey methodology which will have a material impact on the estimates provided via this study.

1. Respondents were asked what types of non-cash awards were used in their various programs. Here the methodology differed from the 2013 study, in a manner that very likely increases the resulting market estimates. In 2013, as in previous iterations of the study, award types were defined in two categories: incentive travel and merchandise/card. The categories were specifically defined for respondents as below in 2013:

   *Incentive trips – travel experiences to motivate and/or recognize participants for superior performance in support of organizational goals. **With these programs, incentive travel is the key award**. Participants may win a spot on a group travel program, or they may be able to select from among various travel packages – either group or individual. Related expenses including room and other gifts are included.*

   Points-based or merchandise awards - these are merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of different values, gift certificates/gift cards, experiences, or individual travel. These programs may allow participants to redeem points for awards of their choice, or earn different awards based on level of achievement.

   In 2015, the study was updated to reflect more accurately the proliferation of award points and gift cards as the delivery mechanism for non-cash rewards. The specific definitions respondents were given are as follows:

Award Points - Participants can choose to redeem points for gift cards, travel, or merchandise

Gift Cards - Program sponsor purchases gift cards and distributes to participants as rewards. Gift cards may be for travel, merchandise, retail, dining, or to be spent at any merchant that accepts credit cards.

Trips & Travel - Program sponsor arranges group or individual trips and awards to participants

Merchandise - Program sponsor purchases merchandise items (e.g. electronics or luggage) and distributes to participants as rewards

The main factor in determining how to categorize your awards is how that reward is distributed to your participants. For example:

- *If your program includes gift cards for travel rewards that are purchased and awarded outside of a points program, you should account for that under Gift Cards.*
- *If your participants receive merchandise and gift cards by redeeming award points, you should account for that under Award Points.*

2. Spend estimates for the smallest businesses in the study have been adjusted to represent better the underlying distribution of firms. The category that has been reported as “$1 to $9.9 million” was split during analysis to account for the vast population of firms with $1 to $4.9 million in revenue. This adjustment lowers the extrapolated market estimation and is a conservative refinement to the study. It is recommended that future studies of the B2B marketplace make this adjustment in the survey and analysis.

3. No industry lists were used for sample for this iteration of the study. In prior studies, a portion of the respondents was sourced from membership and subscriber lists. All respondents for this survey were sourced from an independent research panel.

4. There are additional wording changes to note. The description of channel programs was updated to include “distributors.” Incentive travel was relabeled “trips and travel” to more closely mirror the language used by respondents, particularly those in smaller companies.

Weighted Calculations

Because the study objective is to project findings to the population of U.S. businesses, measures of incidence and market size are statistically weighted to reflect the highly skewed distribution of firms; for every firm over $1 billion in revenues, there are over 400 firms between $1 and $4.9 million in annual revenues.

Company Revenue	Number of US Companies	Percent of All Companies Over $1 Million in Revenue
$1 to $4.9 million	1,069,866	74%
$5 to $9.9 million	174,298	12%
$10 to $99.9 million	176,850	12%
$100 million to $999 million	17,974	1%
Over $1 billion	2,631	0.2%
Totals	**1,441,619**	

Part 1: Findings

Incidence of Non-cash Incentives
A total of 84% of US businesses use some type of non-cash reward program. Incidence of non-cash programs increases with company size, as shown below.

Company Revenue	Non-cash Reward Incidence*
$1 to $4.9 million	83%
$5 to $9.9 million	83%
$10 to $99.9 million	86%
$100 million to $999 million	90%
Over $1 billion	83%
Weighted Incidence	**84%**

Program Audiences
Respondents were asked whether their firm uses non-cash rewards in five categories: Sales, Channel, Employee, Customer Loyalty, and Corporate Gifts. Programs were defined as follows and presented in this order:

- Reward and/or motivate desired behaviors and achievements among your company's ***salespeople***?
- Reward and/or motivate desired behaviors and achievements among your company's ***distributors***, ***channel, or dealer partners***?
- Reward and/or motivate desired behaviors and achievements among your company's ***employees***?
- Reward and/or motivate your company's ***customers*** as part of a loyalty program?
- Show appreciation to/thank ***clients, prospective clients, or partners*** for their business?

Employees are the audience most commonly targeted for non-cash rewards – only corporate gifts show a similar incidence. Non-cash sales programs are present in three out of five U.S. businesses. Non-cash channel programs remain the least prevalent, but show a significant increase in incidence compared to 2013.

	Weighted Total Incidence WITHIN ALL US BUSINESSES*	
	2015	**2013**
Sales Rewards	60%	46%
Channel Rewards	41%	26%
Employee Rewards	72%	56%
Customer Rewards	45%	32%
Corporate Gifts	72%	53%

**Calculations are based to all U.S. businesses, not just those offering non-cash awards.*

Reward Types

Consistent with past studies, the incidence of reward type differs across program audiences. Gift cards are the most prevalent reward type in all programs except customer loyalty, which has a similarly high incidence of award points. Trips and travel is highest within sales programs and lowest within customer loyalty. Merchandise use is highest in channel programs.

	2015 Award Type Use Among Business Using Noncash Awards				**2013 Award Type Use***	
In companies offering non-cash:	**Award Points**	**Gift Cards**	**Trips & Travel**	**Merchandise**	**Incentive Travel****	**Merchandise/ Card****
Sales Programs	44%	72%	34%	44%	53%	60%
Channel Programs	43%	63%	30%	51%	33%	75%
Employee Programs	36%	71%	30%	38%	43%	60%
Customer Programs	55%	51%	25%	32%	27%	74%

**Calculations are based to U.S. businesses offering non-cash awards for that audience. For example, within companies offering non-cash sales incentives, 44% of companies use award points and 72% use gift cards.*

**While it appears on the surface that the use of incentive travel has declined since 2013, individual travel rewards are frequently included in award point and gift card programs, so incidence and spend for some travel rewards may be accounted for differently in the current study compared with earlier iterations. This will be explored in more detail later in the report.

Sales Rewards

Program managers for sales rewards use a variety of rewards to recognize their sales teams. Among the various reward types, points' budgets tend to be the richest across all firm sizes. The numbers below represent the most conservative available estimate of spend within the given business size and award type.

The per-firm spending on trips & travel is lower than the spend for incentive travel in 2013, but much of the individual travel spending may have been categorized into award points and gift cards for the 2015 survey, as travel is a frequent component of those rewards.

2015 Per-Firm Annual Sales Reward Spend					
	Award Points	**Gift Cards**	**Trips & Travel**	**Merchandise**	**Adjusted Total Spend**
$1 to $4.9 million	$2,179	$1,531	$2,000	$1,469	$3,320
$5 to $9.9 million	$50,971	$13,645	$23,714	$18,596	$47,244
$10 to $99.9 million	$65,824	$49,667	$40,570	$35,740	$104,293
$100 million to $999 million	$168,301	$82,413	$103,676	$96,844	$255,971
Over $1 billion	$288,375	$244,551	$238,818	$117,932	$488,207

2013 Per-Firm Annual Sales Reward Spend			
	Merchandise & Card	**Incentive Travel**	**Adjusted Total Spend**
$1 to $10 million	$20,118	$18,547	$21,667
$10 to $100 million	$73,546	$36,488	$64,826
$100 to $1B	$128,640	$106,978	$160,928
$1B plus	$352,930	$475,105	$552,693

2015 Sales Rewards Total Market Summary (60% Incidence)		
	Percent of Sales Programs Using	**Total Spend (Billions)**
Award Points	44%	$8.3
Gift Cards	72%	$6.9
Trips & Travel	34%	$3.9
Merchandise	44%	$3.7
Total		**$23.0**

Market incidence for non-cash Sales rewards increased from 46% of all U.S. Businesses in 2013 to 60% in 2015. Likewise, total spend for non-cash Sales rewards increased from $21.4B to $23B over the 2-year period.

Channel Rewards

As noted above, the overall incidence of channel reward programs increased by 15 percentage points – a 57% increase over 2013. The description of Channel programs was changed this iteration of the survey to include the word "Distributors," which may account for some portion of that increase. Additionally, the increase is most notable among the smallest firms, who reported 24% incidence of Channel programs in 2013 compared to 41% in 2015. Because this is by far the largest group within the population of US businesses, the impact of this change will be significant in terms of overall estimate of market spend.

2015 Per-Firm Annual Channel Reward Spend					
	Award Points	Gift Cards	Trips & Travel	Merchandise	Adjusted Total Spend
$1 to $4.9 million	$2,500	$1,900	$4,000	$1,750	$4,253
$5 to $9.9 million	$28,529	$20,333	$32,909	$27,500	$47,985
$10 to $99.9 million	$127,333	$63,296	$58,526	$19,370	$133,971
$100 million to $999 million	$132,679	$68,384	$97,500	$132,728	$240,845
Over $1 billion	$264,857	$230,678	$210,000	$151,113	$444,911

2013 Per-Firm Annual Channel Reward Spend			
	Channel Merchandise & Card	Channel Incentive Travel Spend	Adjusted Total Spend
$1 to $10 million	$10,600	$8,800	$10,701
$10 to $100 million	$33,883	$47,875	$46,406
$100 to $1B	$99,100	$86,578	$134,268
$1B plus	$362,526	$372,868	$450,621

2015 Channel Rewards Total Market Summary (41% Incidence)		
	Percent of Channel Programs Using	Total Spend (Billions)
Award Points	43%	$6.3
Gift Cards	63%	$4.9
Trips & Travel	30%	$3.3
Merchandise	51%	$2.8
Total		**$17.4**

Market incidence for non-cash Channel rewards increased from 26% of all U.S. businesses in 2013 to 41% in 2015. Likewise, total spend for non-cash Channel rewards increased from $6.6B to $17.4B over the 2-year period.

Employee Rewards

The incidence of employee rewards increased by 16 percentage points from 2013 to 2015, a 29% increase. Spending for award points is the highest, with the exception of trips and travel for the very smallest and very largest firms.

2015 Per-Firm Annual Employee Reward Spend					
	Award Points	**Gift Cards**	**Trips & Travel**	**Merchandise**	**Adjusted Total Spend**
$1 to $4.9 million	$1,625	$1,475	$2,000	$1,434	$2,747
$5 to $9.9 million	$59,596	$18,928	$15,143	$7,402	$41,960
$10 to $99.9 million	$80,531	$40,623	$55,154	$30,353	$91,443
$100 million to $999 million	$147,622	$79,033	$139,333	$75,935	$206,113
Over $1 billion	$225,532	$189,509	$275,696	$154,455	$389,599

2013 Per-Firm Annual Employee Reward Spend			
	Merchandise & Card	**Incentive Travel Spend**	**Adjusted Total Spend**
$1 to $10 million	$10,331	$16,995	$13,452
$10 to $100 million	$68,081	$60,508	$64,627
$100 to $1B	$68,755	$74,095	$81,180
$1B plus	$325,315	$354,935	$423,406

2015 Employee Rewards Total Market Summary (72% Incidence)		
	Percent of Employee Programs Using	**Total Spend (Billions)**
Award Points	36%	$8.1
Gift Cards	71%	$7.5
Trips & Travel	30%	$3.9
Merchandise	38%	$3.2
Total		**$22.9**

Market incidence for non-cash Employee Rewards increased from 56% of all U.S. businesses in 2013 to 72% in 2015. Likewise, total spend for non-cash Channel Rewards increased from $18.1B to $22.9B over the 2-year period.

Customer Loyalty Rewards

The incidence of customer loyalty rewards increased between 2013 and 2015; the increase is consistent across company size. Spending for award points and trips and travel tend to be the highest.

2015 Per-Firm Annual Customer Loyalty Reward Spend					
	Award Points	Gift Cards	Trips & Travel	Merchandise	Adjusted Total Spend
$1 to $4.9 million	$1,750	$885	$5,500	$1,917	$3,367
$5 to $9.9 million	$54,321	$19,660	$31,750	$16,703	$52,850
$10 to $99.9 million	$53,036	$53,659	$63,132	$38,292	$94,564
$100 million to $999 million	$106,793	$84,450	$133,438	$89,833	$194,864
Over $1 billion	$251,556	$139,213	$266,375	$155,345	$311,549

2013 Per-Firm Annual Customer Loyalty Reward Spend			
	Merchandise & Card	Incentive Travel Spend	Adjusted Total Spend
$1 to $10 million	$21,191	$12,513	$19,457
$10 to $100 million	$149,341	$34,853	$92,390
$100 to $1B	$178,893	$75,264	$162,143
$1B plus	$407,868	$310,475	$432,952

The total estimated spend for loyalty rewards increased by 6% - US firms spent $16.1 billion on loyalty rewards in 2015.

2015 Customer Loyalty Total Market Summary (45% Incidence)		
	Percent of Customer Programs Using	Total Spend (Billions)
Award Points	55%	$5.6
Gift Cards	51%	$4.7
Trips & Travel	25%	$3.1
Merchandise	32%	$2.5
Total		**$16.1**

Market incidence for non-cash Customer Rewards increased from 32% of all U.S. businesses in 2013 to 45% in 2015. Likewise, total spend for non-cash Customer Rewards increased from $15.1B to $16.1B over the 2-year period.

Corporate Gift Spend

The incidence of firms using non-cash rewards to thank clients, prospects, and partners increased by 19 percentage points from 2013 to 2015 – a 36% increase. The change was consistent across firm size. This increase is offset, however, by a decrease in reported spend in this category. Average spending is significantly lower in 2015 for most firm sizes.

Per-Firm Annual Customer Gift Budgets		
	2015	**2013**
$1 to $4.9 million	$1,482	$24,209
$5 to $9.9 million	$22,319	
$10 to $99.9 million	$41,638	$112,903
$100 million to $999 million	$87,596	$113,458
Over $1 billion	$211,795	$292,895

The net impact of these changes is a larger number of firms utilizing non-cash items as tokens of appreciation, but a decrease in overall spend in the market – down 32% to $10.5 billion.

Customer Gifts Total Market Summary		
	2015	**2013**
Overall Incidence	72%	53%
Total Spend (Billions)	$10.5	$15.5

Note – data for customer gifts was examined to determine if spending had shifted to a category not included in the current survey. There was no evidence to suggest the decline in spending was related to the specific types of rewards mentioned on the survey.

Total Market Spend

Total market size is calculated by extrapolating the average rewards spend to the population of U.S. businesses of that size using non-cash rewards. As shown in the table below, the total size of the non-cash incentives market is $90 billion, with sales and employee rewards remaining the largest categories of spend.

	2015 Estimated Market	2013 Estimated Market	Percent Change
Sales Rewards	$23,004,028,531	$21,452,080,306	7%
Channel Rewards	$17,424,909,458	$6,656,838,829	162%
Employee Rewards	$22,911,818,559	$18,134,743,466	26%
Customer Rewards	$16,133,268,043	$15,178,452,035	6%
Corporate Gifts	$10,548,400,721	$15,510,046,909	-32%
Total	**$ 90,022,425,312**	**$76,932,161,544**	17%

The addition of award points and gift cards as separate categories for spend has shifted the distribution of rewards budgets – award points and gift cards account for two-thirds of the market spend. Spending on sales and employee rewards continues to outpace other program types.

Note – customer gifts are not included in the tables below because they do not fall neatly into any one category.

2015	Award Points	Gift Cards	Trips & Travel	Merchandise	Total Spend
Sales	$8,347,089,851	$6,958,731,197	$3,964,800,449	$3,733,407,033	**$23,004,028,531**
Channel	$6,307,992,107	$4,925,186,135	$3,372,205,248	$2,819,525,967	**$17,424,909,458**
Employee	$8,196,976,538	$7,559,177,757	$3,905,804,290	$3,249,859,974	**$22,911,818,559**
Customer Loyalty	$5,696,726,898	$4,737,211,885	$3,189,711,473	$2,509,617,786	**$16,133,268,043**
Total Spend	**$28,548,785,395**	**$24,180,306,974**	**$14,432,521,461**	**$12,312,410,761**	**$79,474,024,591**

2013	Incentive Travel	Incentive Merchandise/Card	Total Spend
Sales	$8,887,138,807	$12,564,941,499	**$21,452,080,306**
Channel	$2,419,830,036	$4,237,008,793	**$6,656,838,829**
Employee	$8,809,417,779	$9,325,325,687	**$18,134,743,466**
Customer Loyalty	$2,469,318,250	$12,709,133,785	**$15,178,452,035**
Total	**$22,585,704,872**	**$38,836,409,764**	**$61,422,114,636**

Examining the breakdown of the market by firm size reveals the impact of adjusting the market calculations to account for the large population of very small companies ($1 to $4.9 million). The total spend for companies between $1 million and $9.9 million accounts for 33% of the total market in 2015, compared to 51% in 2013. The general finding noted in earlier studies still holds – the majority of the market opportunity resides in companies smaller than $100 million in revenue.

2015 Market Breakdown		
Firm Size ($)	**Total Market Spend**	**Percent of Market Spend**
$1 to $4.9 million	$ 8,837,900,418	10%
$5 to $9.9 million	$ 20,481,860,783	23%
$10 to $99.9 million	$ 45,925,431,358	51%
$100 to $999 million	$ 11,785,425,306	13%
Over $1 billion	$ 2,993,613,902	3%
	$ 90,024,231,767	

2013 Market Breakdown		
Firm Size ($)	**Total Market Spend**	**Percent of Market Spend**
$1 to $9.9 million	**$39,330,173,430**	**51%**
$10 to $99.9 million	**$28,571,534,479**	**37%**
$100 to $999 million	**$5,751,519,589**	**7%**
$1 billion or more	**$3,278,934,045**	**4%**
Total	**$76,932,161,544**	

Part 2: The Multi-Faceted Market

Since the inception of this study over two decades ago, the number and type of non-cash rewards from which program owners can choose has expanded vastly. Primarily, the entrance of gift cards and award points into the consideration set for non-cash reward programs has been embraced strongly by end users. While 72% of U.S. firms still use some form of Merchandise for gifting and rewards and 45% still use Travel, a full 87% are now using gift cards and 55% are using award points.

WEIGHTED TOTALS	Use Non Cash	Gift Cards	Merchandise or Logo'd Merch	Merchandise	Use Award Points	Trips and Travel
Number of firms	1,207,624	1,055,071	863,616	839,280	662,340	540,986
As % of all US firms	84%	73%	60%	58%	46%	38%
As % of US firms using non-cash rewards		87%	72%	69%	55%	45%

While the percent of US firms using non cash rewards varies from 83-90% based on business size, the study also reveals a great deal of variance in the usage rate of different reward types based on business size. Usage ranged from a 'high' where 95% of $100-$1B sized firms with non-cash programs were using Gift Cards as a reward to a 'low' of 43% of $1-$10MM US firms with non-cash reward programs using company-organized Travel Awards.

			% of Firms Using Non Cash Who Use This Type of Award				
	Number of Companies	Net Use Non-Cash	Award Points	Gift Cards	Travel Awards	Merchandis e	Merchandise or Logo'd Merchandise
$1 to $10 million	1,244,164	83%	55%	87%	43%	69%	71%
$11 to $100 million	176,850	86%	53%	89%	56%	72%	74%
$100 to $1B	17,974	90%	62%	95%	54%	77%	80%
$1B plus	2,631	83%	57%	92%	53%	77%	80%
Total	1,441,619						

Most importantly, the study showed that the majority of US firms do not rely on a single type of non-cash reward for their motivation programs. In fact, of those firms using non-cash awards, a weighted total of 81% are using more than one award type. Naturally, the number of awards used within an organization tended to increase with the size of the business.

Number of Primary Reward Types Used Percent of companies using 1, 2, 3, or 4 different types of rewards as the PRIMARY reward vehicle (i.e., does not include gift cards that fall under the banner of an award points program)					
	1	2	3	4	Net Percent of Firms Using Multiple Reward Types
$1 to $9.9 million	19%	37%	28%	16%	81%
$10 to $99.9 million	19%	25%	37%	19%	81%
$100 to $999 million	11%	28%	30%	30%	89%
$1 billion or more	11%	36%	29%	24%	89%
Weighted Total					81%

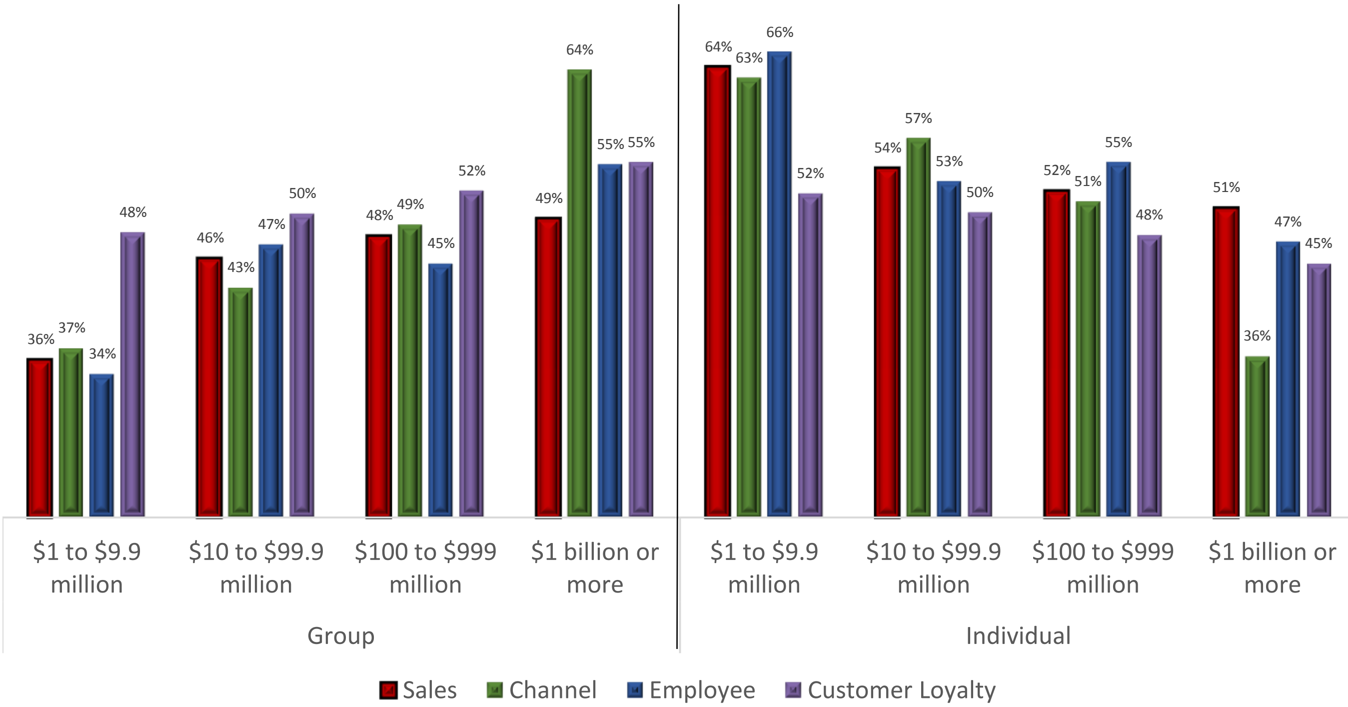
Part 3: Group Travel, Individual Travel, and Relationship to Previous Market Calculations

Exploration of the Incentive Travel market in the U.S. has changed over the years in which this study has been produced. A primary point raised in this 2015 study was that while incidence of program usage increased across all program types and total spend increased by over $13 Billion, why then did the amount of spend categorized as Incentive Travel seem to fall in many areas? Significantly, in an attempt to tease out the rewards spending into more detailed categories, questions for all reward types became more granular in 2015. Program owners had two options for categorizing their reward spend for the studies prior to 2015 – Incentive Travel and Merchandise (including gift cards and points). In 2015, program owners had four categories for their spending: Award Points, Gift Cards, Trips and Travel, and Merchandise. Because Travel is included as a redemption option for a large number of firms utilizing Award Points and Gift Cards, it is likely that some of the spending reported under the banner of “Incentive Travel” in previous iterations of the study is now being captured as Award Point and Gift Card spending. As the 2015 study reveals, the newly itemized categories of Award Points and Gift Cards comprise the largest portion of market share. Their detailing would naturally pull from the only two designations previously offered. Likewise, we would then anticipate seeing the largest shift in travel-related incidence to come from program types where individual travel is most prevalent - primarily sales and employee programs. This held true as the totals below show.

	2015 Award Type Use Among Business Using Noncash Awards				**2013 Award Type Use***	
In company's offering Non-Cash:	**Award Points**	**Gift Cards**	**Sponsor-Arranged Travel**	**Merchandise**	**Incentive Travel****	**Merchandise/ Card****
Sales Programs	44%	72%	34%	44%	53%	60%
Channel Programs	43%	63%	30%	51%	33%	75%
Employee Programs	36%	71%	30%	38%	43%	60%
Customer Programs	55%	51%	25%	32%	27%	74%

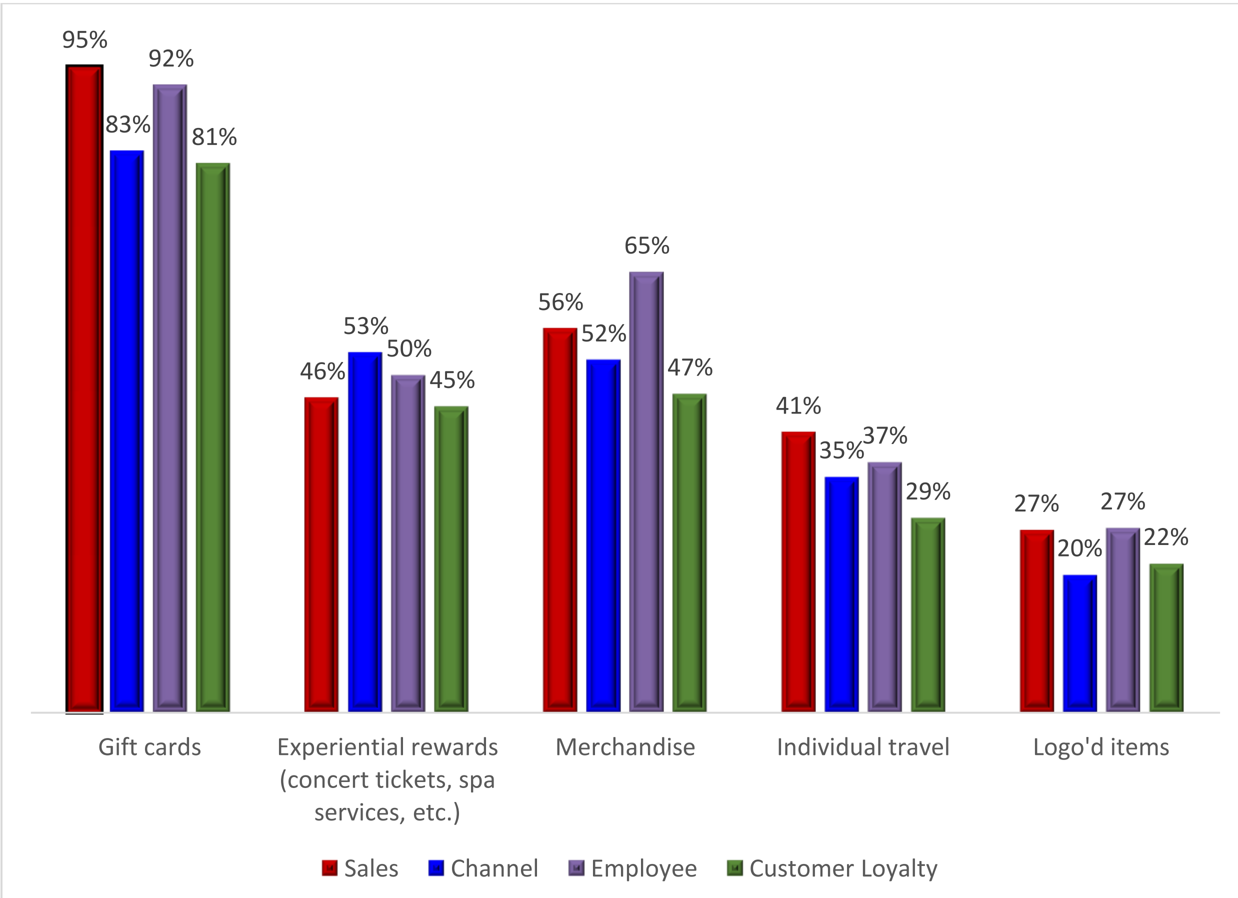
Spending Breakdown for Trips & Travel

For Trips & Travel, in which travel is the key award, smaller firms generally report a higher reliance on individual travel, while larger firms split rewards more equally across individual and group travel. This is particularly evident in channel programs. Additionally, as noted above, sales and employee programs tend to outpace channel and customer programs in their use of individual travel regardless of company size.



Rewards Breakdown for Award Points

Firms that use award points as the primary reward vehicle offer a wide array of redemption options in their programs. Gift cards are the most prevalent across all audiences, followed by merchandise and experiential rewards. Between 30% and 40% of firms include individual travel as a redemption option.



Conclusions

The findings confirm that the incentives market is very large and thriving – the 84% of US businesses using award points, gift cards, trips and travel, and merchandise spend $90 billion annually in this category. The market is largely driven by small-to-medium businesses (those between $1 and $100 million in annual revenue), whose budgets are considerably smaller, but these businesses account for 84% of the spending in this industry.

Appendix

Efforts to Control Estimation Error

Aside from the issue of sampling, a B2B study such as this will include inherent bias that will affect the accuracy of market projections. This error has been deemed tolerable by the sponsors because any error of projection will likely make the estimates conservative – underestimating the market, not overstating it.

1. False negatives: It is likely that the true incidence of gift card programs is higher in the marketplace than reported here. The likelihood of a respondent being unaware of a program is higher than the likelihood of a respondent believing there is a program where one is not. This is particularly true in larger companies, where a respondent typically will not be aware of the activities of various divisions, subsidiaries, and locations.
2. Multiple decision-makers: As firm size increases, so too does the number of divisions and locations. The Fortune 500 companies are complex microcosms unto themselves, with subsidiaries, branches, divisions, operating units, etc. It is unlikely a respondent will have perfect information within a company with revenue above $100 million, and firms over $1 billion are highly complex. Interviewing a stakeholder in marketing, for example, may give some information about the activity of that department, but is unlikely to yield accurate data for sales, HR, operations, and other departments.
3. Discretionary spend: In many large companies, department managers will use some small part of their budget, or perhaps their own money, to buy "thank you gifts" for their teams. The amount a single manager spends may be small, but in a firm with thousands of managers, the impact on the market is worth noting. These funds may not be captured in the "official" program budgets of the firm.

All of this to say, the findings of this study are far more likely to understate the size of the non-cash incentives market than overstate it.