

## INCENTIVE PROGRAMS

### **Merchandise and Travel Incentives: In the Same Bag**

By Donna M. Airoidi

The merchandise and travel segments of the industry are working closer together than ever before, and companies are finding new ways to get the most out of this marriage of awards.

Once upon a time, in the early days of incentives, merchandise was the king of rewards. Then Boeing invented the long haul 747, and transcontinental travel took off as the top reward. Though some products lent themselves to inclusion in travel programs, each camp had its stalwarts, and they mostly competed for placement in award programs. That's beginning to change, especially now that gift cards have entered the mix.

"There's a famous quote roughly stating, 'The enemy of my enemy is my friend.' That's a huge overstatement of the competition for wallet share between merchandise, travel and gift card awards, but it does capture some of the sentiment in the market," says Michelle Smith, vice president of business development for Salt Lake City-based incentive company O.C. Tanner, and current president of the Incentive Marketing Association. "For decades, travel and merchandise competed head-to-head, and now providers have to retool their approach to accommodate gift cards."

#### **Choice and Personalization**

"Merchandise has been a complement to travel programs for years, but the trend is increasing with gift cards being added," says Kim Streeter, senior director of operations for meetings and events at Carlson Marketing, the Minneapolis-based incentive house. "It allows for additional personalized experiences within events." Paul Kiewiet, vice president of incentive marketing at CorpLogoWear in Miami and chairman of the Promotional Products Association International (PPAI), reluctantly agrees. "Gift cards certainly hit the merchandise side, but they're like cash. **Tons of studies say that everyone wants cash, but merchandise and travel get better results,**" he says. "On the other hand, 95 percent of incentive participants indicate that choice is somewhat or very important [to them], and gift cards address that element of choice." Research findings seem to support these opinions. **Nearly 100 percent of readers who plan travel incentives include merchandise in programs, according to *Incentive's* 2006 travel survey, up from 75 percent in 2004. (For more recent numbers, look for the Incentive Federation's upcoming State of the Industry Report, to be released in May.)**

Merchandise is used mostly for room gifts or to complement a program; 25 percent of planners employ it to promote the incentive, but there's been a shift in this usage.

"There was a dip in [merchandise as teaser gifts] when e-mail and electronic messages became big," says Paula Godar, director of performance strategy for Maritz Incentives in

Fenton, Mo. "But that's really bounced back as some [people] complain electronic messages are the new junk mail. Sending candy from a destination is more effective than another e-mail."

Combining awards doesn't necessarily mean simply adding a logo-ed T-shirt or coffee table book to a travel incentive. Individual travel incentives and the growing use of experiential products, such as cards that give an earner a stay at a five-star resort for a weekend, cooking classes, spa experiences or flower designing classes, to name a few, are finding their way onto the merchandise side.

"People want to be able to choose not only individual travel, but choice of destinations. That choice issue extends to merchandise, so we're seeing more travel options being included into what were traditionally merchandise programs," Kiewiet notes. "Points programs might offer hotel accommodations, airfare or individual travel packages." Incentive's 2006 travel survey shows 57 percent of responding planners offer both group and individual travel, up from 51 percent in 2005.

### **Expand the Audience; Move the Middle**

Another key factor in merging travel and merchandise is the desire to target a broader audience.

"There's an awareness that more than just salespeople need to be recognized, and point-based programs really help bring the rest of the team into the program," says Godar. "Sales incentives reward with travel, then complement the program with merchandise to reward the people who really helped the [sales reps] to succeed."

Combining awards has been extremely successful for Bob Vitagliano, principal of V Associates, based in Wilmington, N.C., and president of the newly formed International SITE Foundation. "When the concept of gift cards first came out, there was resistance. At some point, some who wouldn't have used merchandise started toward gift cards. Now, most use whatever makes sense, whatever is the most motivational tool [for the client]."

Vitagliano has used combined rewards in three ways. One, "if you have participants in the program who were not going to qualify for the trip but who worked hard to try to get there, they'd be rewarded with merchandise," he says. "[Two] in dealer programs, some [owners] didn't want to take the trip for themselves, but it's too much to give away, so they've opted to take a bunch of merchandise instead to give to salespeople."

**The third approach he has used is to design travel programs for the dealer company owners, but also include merchandise for their salespeople, "because if we couldn't motivate his salespeople, there was a chance he wouldn't qualify for the trip," says**

**Vitagliano. "If we did something just for the owners, then it would be his responsibility to motivate his sales force, and that doesn't happen too often."**

Rhonda Brewer, division vice president of proposal development and industry relations for Maritz Travel advises planners to find out what their targets' key performance indicators are and create a solution to meet those needs.

"New tools help to get in front of the customer and survey the whole sales force," she says. "If you're doing the typical thing year after year, enhance that with a travel component or add an incentive award with more points or a card program to motivate the middle group."

Combining both categories will strengthen a program, agrees Scott Siewert, regional director of Atlanta-based USMotivation, such as with tiered programs. "Well-done programs need to move the middle. Instead of just the top 5 percent earning the trip to Tahiti, give the top 30 or 40 percent a chance to earn something in a points program. The middle guys don't cost as much to move, to excite. A one-thousand-dollar TV might motivate someone in the middle as much as a ten-thousand-dollar trip to Tahiti for top performers."

### **Alternative Measures**

Brewer attended a client's user conference that employed technology and merchandise to drive booth attendance. As guests registered on-site and entered the trade show floor, their info was beamed to exhibitors, who in turn e-mailed them on their Treos or BlackBerrys, inviting them to stop by the booth to receive a gift, she says.

Another way to incorporate merchandise into travel that's becoming more common is providing points as pillow gifts, says Siewert. "Ten years ago, you'd have been looked at cross-eyed. But we've given out award cards for dinner and dine arounds, where people can take the card out and go out for a night on the town. The problem is, putting a card on a pillow and saying, 'Here are your points,' might not get someone extremely excited."

**Some companies now choose to award merchandise ahead of time instead of giving it out during the trip. "We're seeing clients provide [gift cards] to employees at certain milestones in the earnings calendar once they're pretty certain they've qualified for the event," says Carlson's Streeter. "The card is sent with a catalog of preselected items appropriate for that trip.**

**[Earners] can select their award, size and style, and take it with them rather than receive it on-site.** It's nice to know what you need on the trip and to have it be the right size, color, etc. There's a strong interest in moving that forward." Maritz's Godard expects to see more of a mixture in the rules structure, such as "segmenting the

audience, where they know one [set of participants] is going for travel, one for a points-based program," she says. "Also use participant research to understand what the participants are most motivated by. It comes down to demographics. Are they people who like exposure to top management [on a group travel incentive] or prefer something to take home and share with their family?"

### **Take it With You**

In addition to knowing your audience, here are some best practices to ensure travel and merchandise work together effectively.

**Remember the family.** Most incentives allow a spouse or guest to come along, but not necessarily the kids. "One thing we do is prepare gifts for children who get left behind that are consistent with the theme, so they don't feel left out," says David Peer, senior director of merchandise and fulfillment for Carlson Marketing. "Companies want to connect to the family, not just the employee. It creates a much stronger bond, and makes the parents feel less guilty."

**Be creative.** For a client's welcome gift, Kiewiet printed a greeting and the agenda for the next day's meeting on pillowcases—with glow-in-the-dark ink—so they'd see it when they returned after the opening reception," he says. "The feedback was incredible. It created a buzz. The cases also could be used for their laundry."

**Know your brands.** Every source interviewed for this article said that the demand for brand name, designer products is big, and that program participants aren't afraid to ask for specific labels, which has driven budgets up slightly to accommodate the higher costs of these premium gifts.

**Stay on message.** "While brand is very important, relevance of the gift to the program is more important," says Michele Wilde, director of conference services at The Breakers in Palm Beach, Fla., which has its own merchandise division for groups (see sidebar).

What's most important is to keep the client's best interests at heart, says O.C. Tanner's Smith. "If we continue to help our clients succeed, there will be more than enough business for all of us and for all award options."

### **Sidebar: One-Stop Shopping**

No incentive travel program is complete without a little shopping, and The Breakers, in Palm Beach, Fla. makes it easy—for both award attendees and planners.

The resort has a Merchandising Division that includes not only The Shops at The Breakers, an on-site arcade of 10 specialty boutiques, owned and managed by the

resort, but also services to assist planners in the choice and implementation of awards and room gifts for meeting and incentive attendees.

The division offers a wide array of merchandise choices, based on its on-site boutiques, which include **Burberry**, newly opened in November; **Absolutely Suitable**, which claims to be the first and only shop dedicated to designer swimwear in the United States; **Guerlain Institut de Beaute**, the first freestanding Guerlain boutique and institute outside Paris; **News & Gourmet**, for gourmet foods, high-end kitchen gadgets and artisan works; **Steubenglass**; **Piaget**; and **Kiehl's**, for bath and body products.

"We're always looking for new items and ways to enhance a client's program to make it relevant and personal for the group," says Michele Wilde, director of conference services.

One such item is the porcelain circle box, a replica of the hand-painted ceiling in the resort's circular ballroom. "After a group dines under that magnificent ceiling, we'll have the box waiting for them in their rooms," Wilde says. For a day at the beach, she'll prepare a bag filled with a towel, camera, sunscreen, a hat and the book "1000 Places to See Before You Die," by Patricia Schultz, with a gold bookmark placed at the page that includes The Breakers.

Two years ago, the division created a corporate amenity guide, with award suggestions and service options. The Amenities and Specialties program helps formulate welcome gifts, such as custom-designed gourmet baskets. Awards and incentives include gift cards that can be used anywhere on the property for shopping, dining, spa treatments and makeovers. Steubenglass allows clients to tap into its corporate division for Steuben awards and engraving. Staff also can arrange for shopping sprees, fashion shows and other spousal programs.

The conference staff handles all related merchandise issues once the contract is signed. "That's not common for a hotel, but we like to control it to make sure the products are in each room, the right item goes with an activity, the guest experience is seamless and the client looks good." They even take care of shipping. "We usually recommend gifts that guests can take with them, but if a client selects large items, we'll set up a shipping station during their stay for [guests] to send gifts home."

In addition, because of The Breakers' pooled resources and buying power, "We offer discounts based on volume," says Wilde. "A 10 percent courtesy discount is extended on all corporate orders, and clients spending over certain dollar amounts can save up to an additional 10 percent."

#### **Sidebar: Travel-Merchandise Gift Trends**

### *What's In*

•**Custom golf clubs.** One-on-one training and assessment programs are increasingly available at high-end resorts. One such computer program, the Titleist Performance Monitor, can analyze a golfer's swing, size and other variables, making it easy to order one-of-a kind custom clubs. "For a VIP or incentive earner who's a huge golf fanatic, this is a dream item," says Michele Wilde, director of conference services for The Breakers in Palm Beach.

•**Xbox Live Tiger Woods PGA Tour 07.** Released in October, the game enables online play and features more than 10 game modes, including one where players put together a dream team. Tony Pistillo, director of public relations for the Four Seasons Resort Aviara, in Carlsbad, Calif., has seen group clients give the game as a pillow gift to attendees who are avid golfers. Savvy companies with healthy budgets might ensure an Xbox 360 is waiting at home for these top performers.

• **Luxury Brands/Electronics.** Coach, Waterford and Tumi make a statement, says Paul Kiewiet of CorpLogoWear. "Designer bags are popular, such as Kate Spade," says Paula Godar of Maritz. And the newest electronic gadgets are always very big, adds colleague Rhonda Brewer. "iPods are a must, and can be used for walking tours." A client of Carlson Marketing's Kim Streeter gave them out prior to the trip so participants could download their favorite music to listen to on the flight to their destination.

•**Leather passport holders.** In light of the revised regulations that now require passports on the return via air from the Caribbean, Mexico and Canada, companies are sending these holders during the run of incentive programs as a reminder to not only strive for the reward, says Kiewiet, but also to let participants know that if they're in it to win it, they need to get their travel documents in order.

•**Clear plastic, zip-top travel bags.** "We gave our top clients a leather travel toiletries bag with a plastic bag inside that contained three regulation sized plastic bottles," says Jane Margulies, president of TEAM in Florham Park, N.J., a consumer incentive house. "A card stated, 'TEAM Travel Tip...Be prepared when going through airport security. Remember the TSA 3-1-1 rule...3 oz. or less of liquid or gel; 1 quart size zip-top plastic bag; 1 bag per traveler in the security bin.'"

"We received rave reviews because our clients travel for business and were perplexed with all the new travel restrictions," Margulies says.

### *What's Out*

•**Oversized luggage.** Choose lightweight, wheeled carry-ons instead.

•**T-shirts.** Select camp or safari shirts, like Tommy Bahama.

- **Huge logos.** Keep them small and understated.

- **Sunscreen, baseball hats and coffee table books.** They're still done, but they've been overplayed. Large books can be cumbersome to fit in luggage for the trip home.

- **Leaded crystal.** One of Siewert's clients handed out 150 lead crystal dolphins during an incentive trip. When the group departed, "The TSA guy was like, 'What the heck?'" says Siewert. Everyone kept setting off the x-ray machine, and he pulled one dolphin after another from the group's carry-on bags.