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INCENTIVE

View Points - Part 1 of 3

Industry leaders discuss the merits of motivation at our 3rd Annual Incentive Roundtable

JUNE 01, 2004 - --

Participants
Greg Boswell, Director of Performance Recognition, O.C. Tanner
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Ann Godi, President, Benchmarc360
Vladimir Haltigin, Program Manager, Xerox Canada Ltd.
Tim Lang, Senior Vice President, USMotivation
Terry Markwart, Director & Assistant General Manager, Special Markets, Photographic Products Group, Canon U.S.A. Inc.
Dori Marx, Manager ABCN, Austrian National Tourist Office
Lillian Murphy, Senior Vice President, Atlantic Region, Carlson Marketing Group
Ross Sawai, Director of Account Development, Blockbuster, Inc.
Alexandra Tint, National Sales Manager, The Westin New York at Times Square
Joe Zanone, Senior Vice President, Movado Group, Inc.

Moderator
Danine Alati, Editor-in-Chief, Incentive

On April 1, eleven incentive experts met in Manhattan to exchange their insights on issues impacting the marketplace. At the Westin New York at Times Square, the diverse group representing incentive companies, corporate end-users, as well as merchandise and travel suppliers shared their thoughts on topics ranging from rewards to recognition. Following are highlights from the discussion:

Danine Alati (DA): How is the economy affecting incentive planning?

Tim Lang: Last year, we didn't have much activity until late February early March 2003. This year it started in mid-January. So there is a lot more activity, opportunity, as well as solid budgets.

Vladimir Haltigin: It's getting tighter and tighter. Budgets are flat at best. They are being allocated on a more short-term basis. [If you] have a good quarter, then you get money for the next quarter. As a result of that key trend, the whole [incentive] business appears to be very short-term. In our case, nothing has been cut. But it is very much the case of performance drives the future.

Karen Eglitis: We are seeing a higher level of placement and commitment to programs. But along with that, a large segment of programs at the mid-level are starting to move down cost-wise. There is also opportunity to work in programs that we haven't worked with before. But the redemption levels are lower than they had been. We believe they will come back in the near term at least for a segment of the market. Where I don't see programs dropping off and going away, I do see the levels declining somewhat.

Joe Zanone: I've seen a dramatic increase in consumer-based programs this year. We're in three different programs that just happened in the last month, and we're looking at about $3 million worth in Tommy Hilfiger watches. It's just something we haven't seen in the last two years. At the same time, I see a dramatic increase since Sept. 11th of the use of luxury-branded products in lieu of travel.

Lang: A lot of clients have combined their group incentive travel with a meeting to get more bang for their buck.

Ann Godi: We see a tremendous trend in that direction. We call them hybrid programs that combine some meeting element instead of a pure stand-alone incentive program.

Lillian Murphy: There are even programs that are being developed that have the combination of the meeting and the event, and also there is sometimes an overlay of merchandise. It's kind of managing the entire budget within the perspective of balancing the travel and the merchandise. While we see an increase in programs, the commitment is much later in time. It is a real scramble to execute it.

Dori Marx: Program planning is shifting into being a financial decision for a lot of companies. It's a growing movement that procurement departments are getting involved and taking over the planning of these programs.

Alexandra Tint: My job right now is to develop an identity [for out hotel] in the marketplace so that we can start partnering with different companies and work with different programs, like incentive programs where we lay a base for a couple years out. We can achieve this by partnering really well and listening to the needs of the client.

Zanone: Are the budgets for service awards and recognition flat or are they going up? Is the market shifting away from five-year, back to ten-year, or vice versa?

Greg Boswell: Certainly, it's not moving away from five-years-companies have actually moved to lower-year levels than five years. At the same time companies are looking at an overall recognition strategy. Whether it's recognition or incentive, the approach is: how do we make these programs more strategic? Or [you can] tie it back to your performance management strategy, or your human capital strategy, whatever the HR trend is today. That's where you start to get the dollars that you need for these programs. Coming out of a tough economic time, I'm seeing positive results from the perspective of companies looking to do more. The way companies are getting the dollars to do more is by linking it strategically to what the organization is trying to accomplish.

DA: How are world events impacting incentive travel?

Marx: Security has become a part of everyday life. A couple of years ago, only planners of high-profile meetings dealt with the security issues. Now, every planner is aware and does due diligence, which is a very positive development because you have to be prepared. As for Austria as a destination, we see a total rebound. I think Americans are getting used to world events and terrorism. It's going on all over the world. You can't really find a hot spot anymore. People are beginning to travel.

Lang: It is starting to open up for us. But it's not where it needs to be. The destinations we use a fair amount now include Europe, the Caribbean, Hawaii and Mexico. Cruises are big.

Murphy: Cruises are very big. One of the first stops to look at is the kind of vehicle to execute the program. The European market, for us, is opening a lot more in consideration of programs. We're seeing it come back. Proximity to the Middle East is a factor. But, definitely, Europe is coming back.

Haltigin: Canada is very open at this particular stage, very cognizant of world affairs of what's going on. But coming the other way-for people who don't hold a Canadian passport, or hold a passport where you need a visa-visa regulations are so tight, and some people have missed trips as a result. They cannot get interviews with the U.S. consulate or U.S. embassy in time for the trip. With the trend being shorter-term all the time, the time frame between the end of the contest and the travel date sometimes restricts those people from traveling.

Zanone: Is it primarily in the United States?

Haltigin: It's into the United States. Many people live in this land of immigrants but still travel on foreign passports. As a result of that, there are expectations. But one must budget time far in advance to overcome those situations.

Godi: It's coming into the United States. We've seen the same thing. We handle a lot of global programs that will have participants from over 60 countries participating, with some having to get new visas out of Europe. The backlog and the time frame are very, very slow. It really varies by country.

DA: Is there an alternative for those participants, who aren't able to go the travel reward program?

Godi: It varies, but a lot will offer it. It depends on whether the person was being negligent or whether there was an undue delay in process. They often offer an alternative, which is a stand-alone equivalency to be taken at a future date.

Zanone: What about the people who decline the trip because of their fears? Is there an alternate to that as well?

Godi: We're not seeing our clients offer an alternative to that.

Lang: We're not either. They either go, or they don't go. Unfortunately, if there is enough that don't want to go then the program is not very motivational.

Godi: We also see spouses not attending, especially parents of young children. That's an issue we have to deal with in the industry.

DA: What does this mean for locations closer to home?

Lang: I think they have to be realizing a lot more business than they originally planned.

Godi: The destinations have obviously shifted. In the past, an exotic location carried the whole incentive program. Now, I think it is how you market it, how you structure it and how creative you can be.

Tint: From the [Westin] hotel's perspective, what we are seeing after 9/11 is that it's a different time. One, we have to acknowledge that the police and the whole team in New York City are doing a great job of keeping the identity of our city in tact, which is tremendous. Number two, incentive groups are beginning to use cruises more and more. We are getting more interest from companies as the pre two-day and the post one-day hotel destination. New York is being discovered as a great place to bring people for two days before they go on a group incentive. It's our commitment to start showcasing the beauty of the city. That's what we're trying to focus in on.

Ross Sawai: The key is to adjust marketing plans and strategies and the ability to adapt to the customer base, because the customers are the ones who are going to speak. You know margins don't matter. What matters is what the customer says. If this is the way the trend is going, then we have to find a way to get there. So that's very important. We've seen a lot of that in our business.

DA: Have you noticed a shift into family incentives?

Godi: We don't see that. We do see the trend of young parents who don't want to travel.

Lang: We've had two programs in the last 30 days that allow the spouse and children to attend domestic destinations. Those are pre and post, but not woven into the agenda or itinerary of the program.

Murphy: Yes, the same trend. It is not from a North American perspective. We are seeing that kind of expand into the islands, but not necessarily into Europe. It is North America but a little bit larger than the United States. It encompasses some of the islands. Mexico seems to be a very popular destination in terms of being able to bring families.

DA: Have you noticed an increase in individual travel versus group?

Lang: If you asked participants if they prefer individual or group travel, I think most cases they would say individual travel, because they can go where they want and when they want. But sponsoring companies don't get as much leverage and bang for their dollars. When you get your top performers with your top executives there is certainly a lot of benefit, esprit de corp, teambuilding, that kind of thing. We haven't seen any major trends. We do have individual travel in some of our programs as options, but it's more tied to merchandise, all other kinds of programs, versus group and incentive travel.

Terry Markwart: Our company does a little bit of both. Instead of going to Switzerland, which we have done, now we [Canon U.S.A.] are staying in domestic United States-a little bit off into the Caribbean, but not too much. We have dealer trips, sales incentives, that are being done much differently than what we used to. It is being leveraged differently. They are picking one place and leveraging that whole property for several different groups. Again, that's coming back to managing the money. When you have more than one group in a large company, that's what we're doing.

Haltigin: We do a balance of both. We choose the type of incentive award based on the type of program, whether it's a strategic or tactical program. Merchandise, for example, fits well with a tactical, short-term program. So does travel. And we actively do both.

DA: Post Sept. 11th, if companies were reluctant to travel, did you offer merchandise? Also, have you [merchandise suppliers] gotten more business as a result?

Zanone: In my luxury branded business, I've seen dramatic increase in sales. It's always been explained to me as in lieu of this trip. On the flipside, I have worked with Successful Meetings, a magazine that works with meeting planners, to not only broaden the scope of what you can do in lieu of travel, but to enhance travel using merchandise. It's been a nice trend, but that segment started before September 11th. After September 11th, it has been all luxury branded.

Markwart: We've noticed a significant increase in digital cameras. That is kind of the hot thing in the marketplace for use. It has been: 'Get 100 percent of your quota, then you get a camera. If you exceed that, you get to take the trip.' We've seen that with our binoculars and safaris. So it's been very successful.

View Points - Part 2 of 3

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JUNE 01, 2004 - --

DA: According to our Merchandise FACTS Report survey, the average annual budget in merchandise awards is down $1,600 from 2003. Also, 46 percent of respondents spent under $50 in merchandise awards per recipient. How can we creatively work with these smaller budgets to offer attractive incentives?

Eglitis: We have been able to identify a number of additions to our product line that speak to the portable audio market in general. Do we have an item at $50? No. We find that the programs we operate in are looking for a brand recognition that warrants expenditure more than that. We see it as just another category that we are able to enter, that we may not have been able to play in beforehand. It's giving us another avenue to secure that recognition, as well as the enjoyment and benefit for the client.

Boswell: I think companies are better at involving their employees than they were in the past. Companies choose awards for different reasons, programs for different reasons. Sometimes, employee input can be meaningful.

Haltigin: You have to understand your own internal customer because it does vary. A sales person is motivated in a different way from a service person or an administrative person. You really have to tailor the rewards.... Travel isn't always the right motivator. Someone in administration may say, 'We worked as a team; reward as a team. We don't want these highfalutin trips. But recognize us for what we do with merchandise or an event of some kind that is meaningful.' It goes a long way to employee satisfaction.

Eglitis: There is one more component, and that's the way the employee is motivated day in and day out at work. It's wonderful to offer rewards for outstanding performance. But at the end of the day-the trip, the night out-they have to come back and feel that their input is recognized for their day-to-day [contributions].

Murphy: I'll validate that. The balance between recognition and reward is adjusting slightly within the context of the budget. What we are seeing is that some of the expenditure is moving over to recognition. Recognition by the organization is really fundamental.

Godi: I think that the shift in the budget has been reflected in a more strategic selection of merchandise-merchandise that impacts the marketing messages and the branding strategy that organizations have. It's much more critical that the selection be tied to and further those objectives than it ever has been in the past.

Tint: From a hotel perspective, what we are seeing as a trend is the buzzword: 'acknowledgement.' When we talk to people about bringing an incentive program to this hotel, it's about how to best acknowledge these people because in the word 'acknowledgement' is probably where the most profit lives. The more you acknowledge every person within a segment of the company, the more they are going to give. There is a direct correlation. Our stand is: let's go ahead and see what is means to acknowledge a group on property. How can we treat our guests in such a way that all they do is cocktail-talk about us? Any time someone starts bragging, that's going to incent that person to perform even better.

Boswell: Organizations are thinking about employee equity. How do we employ programs that reach all of our people? There's this notion of branding. You brand outside the company, but now we brand internally. You brand internally by first communicating the brand, and having your people learn the brand. Once they learn it, they start to live it.

Murphy: We are working with companies to help them develop an umbrella strategy for employees that links back to the employer brand and aligns with the brand promise they are making to their customers. This goes back to budgets, from shifting of dollars and realizing some efficiencies. But there is also a need to align some of the strategies around who the employer is and the brand that they want their employees to represent and recognize.

Lang: This is a tremendous opportunity for our industry as well. HR magazine talks about the 5 Rs: Responsibility, Relationships, Respect, Rewards and Recognition. If you don't have that, you're going to run into employee retention issues. People are talking about the 'Perfect Personnel Storm,' when the economy hits back and when Baby Boomers are going to retire. By 2010, there will be 10 million jobs that no one can fill. So employee retention is critical, that goes back to communication and treating employees properly, which leads to happy customers. We've had a lot of calls for pulling all these programs together under one Internet-based platform.

Murphy: We've seen training being hooked on. Years ago you had that merging of sales and marketing come together. There is a current trend of HR and marketing coming together. It's very collaborative.

Boswell: From a budget standpoint, I don't think organizations really understand what they are spending on incentive and recognition. One program is here, and another one is there. When they start to put their collective heads together, they realize what that budget looks like, and then they can strategically allocate the dollars.

DA: What categories of merchandise are gaining momentum?

Boswell: The key is lifestyle. It's important to think about the program and what the award wants to accomplish. From the service award side, I heard a story recently about a new CEO who had his 10-year service brochure and questioned, 'Where does the company logo go on this award?' When HR said, 'We don't use a company logo,' he responded, 'Well, you'll find a place to put the logo on my award.' I think strategically you have to think about the rewards that you give and what they represent. Recognition is about an experience, so often it's about the memory and the memorabilia. I remember a discussion about retirement awards and how those are changing. It used to be the grandfather clock or the watch at 25 years. Now people are saying, 'I want a camera, so I can use it when I retire.'

DA: What are the factors in deciding on whether or not to use a logo?

Boswell: You think strategically about a service award and what it represents. Companies make those decisions at their discretion. It ties back to your branding strategy. It is about the individual, but I want to make sure that companies benefit from these programs as well.

Eglitis: A company wants mileage on their investment. There are certain awards, rewards or gifts that inherently cause people to do the talking. 'Look what my company gave me.' In many cases, they don't want it marred with a logo. Again, it depends on what the item is, either the value of the item or the type of item.

Zanone: It does depend on the reward. There are alternatives. We won't put a logo on a Movado Laser Dial watch, but I will put case back engraving. It's really great because it doesn't blare. It says it back here, so I can still wear the watch and remember it. Then you get the guy who says 'My company gave me a gift check.' So the company loses all trophy value.

DA: How has the service award changed?

Markwart: Depending on the person again, if they are retiring or getting a reward, if it fits their lifestyle and it is something they really always wanted, it's something more personalized. We're seeing a lot more of that going around these days.

Boswell: It really depends on the budget. The one thing that I think is interesting from a trending perspective is why do people pick the awards that they do? It is always interesting the things that they wouldn't go out and buy themselves. Why do people pick binoculars or a globe? And once again it's about giving them choices. I've done a number of surveys over the years and I found 4-8 percent that aren't satisfied with the selection. I'm amazed they are dissatisfied because their companies actually recognize them.

Markwart: What's happened to those [service award] budgets? Have they gone down at all, considering most people don't stay with companies 30 years anymore?

Boswell: If they haven't been there this long they will be reallocated. During the dot-com, we saw one month, three-month, six-month rewards. They didn't even have a year award, because the company hasn't been around that long. Get them in the door, recognize them and make them feel part of the organization. Five years is standard now.

Lang: We are seeing the meaning changing for those kinds of awards. Maybe it was recognition rewards a few years ago; now it is performance. Everything is driven by what you bring to the table. People aren't staying in places as long. So how are they going to get rewarded? It's based on performance.

Eglitis: The movement right now is to measure employees based on their critical performance, key performance indicators, which ties every employee's contribution directly to the company strategy. It's performance management, it may be a minor semantic, but when employees know what they are responsible for and how it ties in to the next level, they ultimately understand the tie-in between their performance and budget.

Markwart: We reward non-sales related employees, who everyday help save money or do something that adds to the bottom line. We recognized them once a year. Bring them to New York to our headquarters. It's called the Spirit Award. We wine them, dine them, take them a show. The finale is they come to the international management meeting, and they are announced for what they did. They get a standing ovation. It's unbelievable. It's an emotional experience. These people are motivated. They go back. They tell other people. They come from all over the Americas-Brazil, Canada.

View Points - Part 3 of 3

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DA: What is the perception of branded cash, as gift certificates, debit cards and stored valued cards are very popular?

Eglitis: If it's a Bose gift card that sends them back into a retail store, then technically you find that in order for the individual to derive any value of the branded cash, has to spend more of their own. But the reality is it's very difficult for a company to control most of the time what the individual does with it, and what recognition the company will have later on for what was done with it. For many cases, people do remember and will answer differently than the other fellow, and will say, 'Oh my company gave me whatever, and I put it toward this.' But I will say equally as often, there isn't a recollection as with cash. Did I pay a bill? Did I go shopping?

Zanone: I asked brother-in-law, 'Where did you get that TV?' He says, 'Circuit City. My company gave me this card.' For what? 'I made my sales goals.' It took all that to get it out. But at the same Blockbuster is an ideal card. There is room within the industry for both...A gift card like an American Express gift check, a Blockbuster card, Staples card, there is a need for that. It's a nice niche. It helps support the marketplace in general. You have to have a good balance of everything.

Eglitis: We are actually beginning to offer a Bose Gift Card through the premium and incentive unit. There are a number of organizations that want to provide an award to their constituents, and they cannot trade at that level but still want to provide something that is synonymous with whatever the goal was. It's not something we are going to promote extensively, but it is something that we will make available through the appropriate situation. There is clearly a value and clearly room for gift certificates, gift cards, store-valued cards, as well.

Sawai: It's about what the customer wants. It's not what we think they want. Now, as it pertains to the businesses and how they use these types of cards to sell employee motivation and service, it's all about being creative. Gift certificates and gift cards are really proliferating in the marketplace today; there is a place for it. I don't see any kind of cutting into the market, compared to growing and building it...For someone who makes $20-25k on a salary basis, to get something like that maybe once or twice a year is impactful. It is all about businesses recognizing what's going to impact somebody. As businesses look at different ideas, it goes back to the choice and options.

Lang: We have had a lot fewer calls for debit cards in the last year. When they first came out, everybody wanted to go with the debit card program. Now, we have a lot of calls for certificates.

Murphy: Choice and flexibility are big drivers behind those vehicles. A lot of it is about the types of programs being developed and the expanding participant base. Blockbuster cards are so perfect not only for lower-paid employees, but for frequent recognition, spot awards, etc. They allow constant engagement of the company with the individual. They have a very unique place that's applicable.

Haltigin: It doesn't matter on the value of the item. The key is the recognition. We [Xerox] have Customer Heroes, where peers recognized each other. The award you got was a $5 Tim Hortons coffee certificate, and people loved it because there was a spot, recognition aspect, which is all part of employee motivation. We have used merchandise certificates very actively. The key is choice. That's what our people have said to us. 'Recognize us, we love that. If you reward us, give us some choice in terms of what we get.' Department stores are very positive because they allow them to choose whatever they want. But yet, at the same time, depending upon where you go...if you have $100 reward, you may pay [$100-plus] depending upon that fulfillment house.

Boswell: I really do appreciate the discussion about the recognition element because I think that's the key strategic piece here. In the Gallup Organization Q12 study, the fourth point on the list is: 'I have been recognized by my manager in the last 7-10 days.' It's one of the things that make a great work place. You cannot give someone a reward of monetary value every 7-10 days. From the industry association that I represent, National Association for Employee Recognition (NAER), that's the number one thing: How can we do more low cost, no cost, the day-to-day recognition, the pat on the back, the training and encouraging and providing tools? That's an important part of the overall recognition strategy of motivation. How do we create this strategy that encourages managers to do more day-to-day? People aren't leaving companies; they are leaving managers.

Murphy: One of those 12 questions is: Do you have a best friend at work? The reason I mention that is because when we put together programs from a peer perspective, there's a direct correlation there in terms of someone really being happy at their job, and therefore contributing to the company. That Gallup notion of 'a best friend at work' is actually very powerful in terms of putting the linkage to the whole recognition, which is peer-to-peer or manager-to-employee. It is critical. When I talk with customers about rewards, I want to talk recognition first. Then, I get to the reward.

Boswell: In a recent HR.com survey, Fortune 1000 CEOs said that the number one priority this year is to attract and retain. As the economy comes back, all of a sudden, those key people who didn't have anywhere to go because there were no jobs [now have options]. CEOs are saying, 'We have to hang onto our people.' So you need to empower managers to recognize.

Eglitis: And leaders aren't necessarily in all cases the managers. There are a number of people who have affected very positive change. They were leaders, but not necessarily the managers and the directors in the areas of where they were of huge impact.

DA: How can we [as an industry] continue to wage this battle against cash?

Sawai: I don't think it's a battle at all. But it's obvious that a large percentage see [gift certificates] as different and separate than cash. I think it's all about the creative theme, and how you market and promote it to your employees and customers because that is what is going to separate it from cash.

Murphy: I think the big difference is the brand. The brand value and the marketing around that is the key to how someone will respond, remember and do all the things they should do with whatever tool being used. Cash seems to flow through without that memory.

Eglitis: Cash is expensive-expensive to give and to receive, as well.

Haltigin: That leads to one of the key aspects to any reward today: Taxable benefits are very high. They can be as high as 55 percent, based on the individual. That is huge. But taxable benefits are a key driver in terms of the kind of considerations one has, the type of rewards one gives. Cash rewards absolutely have their place. We have used them, along with travel rewards. It really depends on the individual business situation, or the business strategic scenario one is trying to drive. There are business scenarios where there is a spot situation, very critical business strategy that needs to be achieved, where cash is absolutely the right motivator to the right person at the right level. So it is a consideration that cannot be ignored.

Boswell: I had someone say to me once, that cash is a motivator not a satisfier. But it's never going to be enough. From a recognition experience perspective, cash or compensation type awards are often privately given, as opposed to publicly given. Sometimes the biggest benefit from the recognition is the public experience that happens.

Haltigin: That's absolutely right. It's the way in which it's given, how it's presented that is motivation. It is the recognition aspect that is so critical. It is a real element, as part of the mix of reward programs that one has to consider. You use it very sparingly, but it is done. What people are seeking is recognition.

Zanone: I understand the recognition and reward scenario. But the incentive for a lot of people is that bonus opportunity. It's directly tied to your performance. It may not be recognition, but it is recognition.

Murphy: The contract that you have with your employer is that you have your base pay, variable compensation, which is obviously very motivating in terms of performance, but then on top of that you do have recognition and then rewards. I think it is those four components. I think that is where that cash conversation always gets muddied. Because people think of it as used differently. I like to separate that variable component of your benefits to rewards because they are different. So when we talk cash, and how cash is used as your reward, I don't think of it in terms of your variable. I think of it replacing that watch, that trip. That's where I think is the big debate around [whether or not] it truly motivates. Do you get the same feeling around that as you would with the trip or the watch?

DA: According to the Incentive Federation Survey (conducted in March 2003), fewer than one in five respondents said that they ever run an online program. How do you see this number changing?

Lang: I see it changing dramatically. Everything we do is online. For those people who aren't online, we do have some hybrid programs. We spend a lot of time and money and resources in developing our system that we have online. I really think it helps us pull the programs together so people can determine [how many] programs that are running out there and how much is being spent on them. The system will track by individual department, or whatever, what those expenditures are.

Haltigin: That ability to track is very important for a large corporation, particularly when there are multiple divisions and departments, and each may want to have their own program. There is a centralized point from which the company can measure everything and use online rewards. That's absolutely a driver.

Marx: On the supplier side, it creates an interaction between management and the supplier. There are exciting developments in the technology field to combine all of the incentive planning activities. You have a global management tool, which ultimately gives you the statistics to go to upper management and justify your ROI. Also, I read an article about how the Internet took five years to reach 5 million U.S. households, compared to TV and radio, which took 10-15 years to do the same thing. What was valid in 2003, it is shifting enormously.

Murphy: It certainly facilitates measurement, but one of the other things it also does, it allows you to interact with participants on a one-to-one basis. It goes back to strategy, and communicating one-to-one is very powerful. That would be very expensive to do in an offline method.

Eglitis: It is also a very effective tool in addressing changes midstream. You think about electronics, and how quickly these products change and evolve. In some cases you have 18 month lag time between the point in which the decisions are made and the last redemption in a particular book. You cannot manage that effectively today. The entire generation who are participating in these programs have grown up with the Internet as a tool. The nature of these technological offerings has changed how we all do business.

DA: We found in our ROI FACTS Report that 41 percent of respondents do not measure ROI in their incentive programs. One of the reasons cited is because of perceived complexity.

Murphy: One of the reasons is that goals are set at the beginning. I don't know that many companies know what to set them against. That is part of the difficulty.

Godi: It is key to our success to help the client see ROI, show them the formula, help them track it, because with the trending to procurement involved, it is going to require us to support it.

Marx: What I see most is that buyers are cost conscious, but they're not ROI conscious. They are not looking at ROI; they are looking at bottom line budget. That's the problem because they are ignoring the basic principles of incentives.

Lang: I would like to argue that that 40 something percent should be like 90 something percent. Nobody really measures ROI. There are so many things that influence: if you run a group incentive program for a year and raise sales by 10 percent is that your ROI? Not necessarily. You put a big advertising campaign at the same time you do PR. All of that stuff helps grow the business. Factoring in the economy has to be taken into consideration. In most cases, I don't think people truly measure ROI. They don't really know how to get at it, because no one has made them do it in the past.

Boswell: The important thing to remember is that to many, ROI is typically some type of financial measure. But there are aspects in some of these programs that are non-financial that benefit the organization. As you sit down and develop your objectives for your programs, some may be financial and some may be not. We're trying to improve employee satisfaction that is in fact one of your measurements, then you better have some type of base line in place so you can measure 6 months or a year from now. Sometimes I think companies don't measure ROI because they haven't identified what they hope to accomplish. They don't know what they need to measure because they haven't defined what they're supposed to do. It's very difficult to measure emotion, for example. The key is [identifying] objectives, financially and non-financial, for these programs and how to measure them long-term.