Making the Business Case for Incentive Travel

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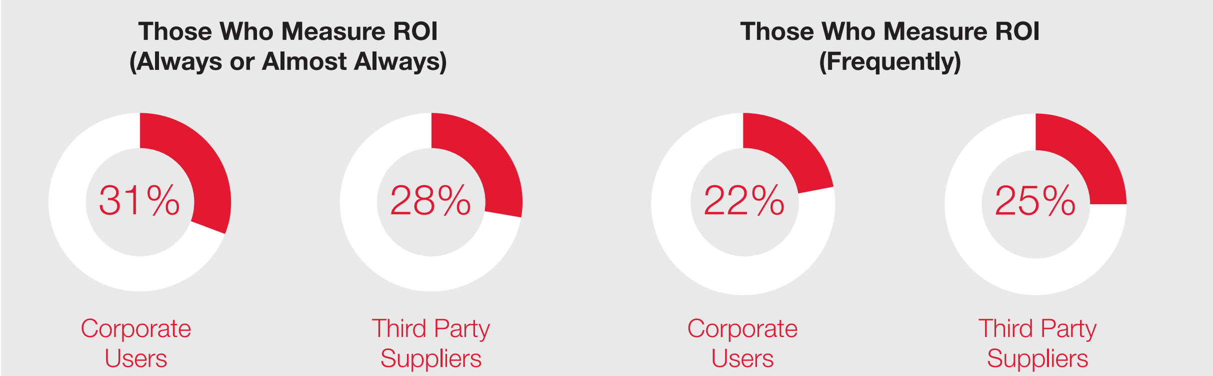
Without measurement, incentive programs could be especially vulnerable during challenging economic times.

Organizations *talk* about it – but data shows, they might not do anything about it.

Measuring the effectiveness of incentive travel programs in terms of sales and profits is not new, but the recent SITE Index discovered that the practice is still surprisingly limited:



Source: Society for Incentive Travel Excellence (SITE) Foundation: SITE Index Annual Study 2015

Businesses are under more and more pressure to justify spend, a fact that certainly applies to incentive travel programs. With that in mind, it begs the question, why are 47% of both Users and Suppliers **not** making ROI measurement a part of every incentive travel program? Justifying their expenditures would seem to be key to Users, and Suppliers are missing an opportunity to prove the efficacy of their product.

Like any sound business investment, the use of incentive programs to engage employees and partners to achieve business objectives must have proven value to the organization. Therefore the tracking and measurement of these programs is a vital component of the business plan. But where do you begin?

Return on Investment – What. How. Impact.

Return on Investment (ROI) is a recognized approach for evaluating the feasibility of any business proposal and is measured to determine if there is a good business reason for spending funds on any venture. Is it a feasible use of a company's money? Will it add to bottom line profit? As applied to incentive travel, measuring ROI *determines the contribution to profit attributable to an incentive travel program, less the total cost of that program*. Spending for an incentive program is justified if the ROI is positive.

There are numerous methods of measuring ROI for incentive travel programs. They vary from the very simple to some rather complex approaches. But, they are all based on the simple formula:

> Increased revenue (generated by the incentive program) *minus* all costs associated with the program (the travel itself, promotion and administrative costs) *equals* the Return on Investment. A positive Return on Investment is an addition to profit.

It is important to note that most objectives for which incentive programs are planned can be readily measured - increased sales, reduced turnover, greater market share can all be reduced to numerical (and hence, measureable) factors. But certain objectives — particularly those associated with events — do not lend themselves so easily to measurement.

Return on Objectives – A different way to measure.

Return on Objectives (ROO) is a model based on understanding what an event must accomplish. Obviously objectives must be identified before any project is launched so it can be designed to accomplish those aims. Moreover, they are essential if there is to be any kind of measurement. They also need to be stated in a way that can be measured.

This is where the major difference between ROI and ROO comes in. ROI objectives are primarily numerical (e.g., increase in sales) and, therefore, can be measured numerically. But many ROO objectives (e.g., to improve morale) may not be reducible to numeric valuations.

Frequently, pre- and post-surveys are used to measure ROO. What is the situation before the event? For example, what is the level of morale? And then, what is the situation after the event? While this is a very simplistic approach it is the basis for most Return on Objectives measurement --- a comparison of the situation before the event and after the event.

Measuring the success of incentive programs — whether ROI or ROO — is the best way to show their value. Measurement establishes an environment of accountability, and without a process for measuring results, there is no way to gauge whether future investment is warranted. Without supporting metrics, incentive programs may be especially vulnerable during financially challenging times.

Tina Weede, CRP, President USMotivation has an extensive background in performance improvement and recognition in both business-to-business and consumer marketing. She has designed, implemented and managed incentive programs of all sizes, providing wisdom through measurable results. She serves as Vice President of Research and Education for the SITE Foundation and is immediate past-president of Recognition Professionals International (RPI Board of Directors).