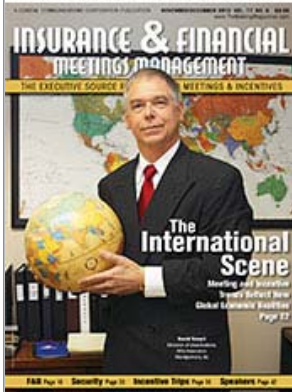


INSURANCE & FINANCIAL MEETINGS MANAGEMENT

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Where Do We Go From Here?

Hilton Los Cabos Beach and Golf Resort's infinity pool reflects the ultimate luxury destination.

Photo courtesy of Hilton Los Cabos Beach and Golf Resort

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By Harvey Chipkin

At the recent New York University Hospitality Investment Conference, one of hospitality's stellar events, Arne Sorenson, president and COO for Marriott, said, "Even in the depths of the recession luxury had an advantage because it offers great experiences. One financial firm booked a meeting at a Ritz-Carlton immediately after paying its TARP money back." (TARP was the federal government's Troubled Assets Relief Program.)

At the same conference, Isadore Sharp, founder and until recently CEO of Four Seasons Hotels, said, "Group business is coming back, including incentives. You can't just give people money as a bonus."

Just as the hotel business mantra for many years has been "location, location, location," the incentive business' mantra for the last couple of years has been "perception, perception, perception" as politicians and the public alike looked on awards to high corporate producers as some sort of boondoggle.

Those issues are fading even as the economy makes at least some recovery. As result, incentives are starting to regain traction (see box on opposite page)

— but, as with many other things after the economic crisis, there is a new normal for incentives as well.

Timothy J. Fleming, executive vice president of sales, operations and client services for Travel & Transport, a major travel management company with an incentive division, said that over the past few years those issues of perception had resulted in many employees being rewarded with money. With a location in Omaha and business across the country, said Fleming, "Insurance companies have been the backbone of our business. Everybody was hit last year and they all cut back."



"Bigger isn't always better. ... We did a few programs in Ireland where winners dined in the homes of families. ... The attendees tie these exceptional experiences directly to their company."

Tracy L. Norum, CMP, V.P. and General Manager
Fox Premier Meetings and Incentives, Oshkosh, WI

Incentive Program Adjustments

In 2009, said Tracy L. Norum, CMP, vice president and general manager at Fox Premier Meetings and Incentives, "We did see a reduction in the number of group incentives. Many corporations — across industries — moved to individual incentive programs. They understand the importance of incentives but made adjustments in their programs. We also saw smaller groups; shorter lengths of trips; and

destinations that tended to be lower profile.”



The Robert Trent Jones-designed Wailea Gold Course at Four Seasons Maui at Wailea.
Photo courtesy of Four Seasons Maui at Wailea

And, as Norum pointed out, “incentive programs are crucial. They recognize, motivate and reinforce positive behavior essential for a company’s growth. When you bring your highest producers together they have opportunities to build relationships with other top performers and company executives, and jointly create better ideas for success.”

At the Elegant Hotels Group, which has number of resorts in Barbados, Nicole King, director of sales, North America, said, “Suppliers are providing lower group rates, upgrades (depending on timing and size of group), complimentary nights and complimentary reception.” Negotiations, said King, “have become more flexible, with such tactics as eliminating or lessening attrition fees. It is absolutely a buyer’s market compared to years past.”

At Fox, said Norum, “We’re finding hotel sleeping room rate integrity is returning. For awhile our hotel partners were discounting rates significantly just to get hotel occupancy levels up. The movement is there within the hotel industry to get their rate integrity back; however, we continue to find flexibility in concessions and amenities. It is important for us to use due diligence in all areas including service fees. It is important to dig deep and determine if suppliers are being excessive. Even after a program is in place, we continue to negotiate. We might ask, for instance, if we can piggyback on another in-house group. If they’re having a lunch, we may realize additional cost savings by utilizing the same menu or main entrée as the other group. Developing seasonal and regional menus will create a unique culinary experience for the attendees and can also save the company money.”

Regional incentives have been able to take some advantage of the trends toward staying closer to home. Ron Brondyke, vice president/director of sales for Amway Hotel Corporation, which operates the Amway Grand Plaza in Grand Rapids, MI, and the JW Marriott Grand Rapids, said that trips “are generally in domestic locations, less lavish and not publicized as much.” He continued, “There are many domestic cities, such as here in Grand Rapids, where planners can find high-end accommodations, culinary excellence and cultural amenities without the high price tag.”

Over the Top Hits Bottom

Cheryl Nuttall, executive vice president of business development for Altour Incentive Management in New York City, said that over the last five or 10 years, incentives experienced a period of “one-upmanship as trips got grander and grander. As an organization you always try to do something better than the year before but some of it got ridiculously crazy. They were amazing trips that resulted in amazing dialogues among attendees.”



The new 497-room Talking Stick Resort in

And Mark Simon, marketing director at the Four Seasons Resort Maui at Wailea, long a popular incentive destination, said that the property took a lot of cancellations in 2009 when it became “taboo to stay in a luxury hotel.” Not only were there cancellations, said Simon, but “people simply stopped calling.”

But suppliers and incentive organizers agree that the outlook is much improved today. Said Fleming, “Our incentive division is having its busiest year in a long time. That includes new accounts and the return of existing clients.”

And while incentives have always been about breaking even on spending, said Fleming, “There is much more focus on ROI than ever before. It forces everybody to think differently.”



Integrating an incentive trip with community service adds meaningful memories. In October, Las Vegas Meetings by Harrah’s Entertainment hosted planners for an Educational Experience, which included a voluntourism project benefiting St. Jude’s Ranch for Children (right).
Photo courtesy of LVMHE

Then came the crisis — government funding of many companies and a pullback on events. Since much of the perception problem involved lavish trips that were easily misconstrued as boondoggles, planners adapted to the view of luxury by tweaking their trips.

As Fleming said, “Luxury and lavish are not terms we use much anymore. Part of that was simply being low-key — not having the company’s name in the hotel lobby or on signs outside the front door.”

Said King, “There are definitely still some lavish

scenic Scottsdale, AZ, has it all for incentive programs: two Troon-managed golf courses, more than 100,000 square feet of indoor/outdoor meeting space, a casino, spa, 750-seat showroom, and multiple dining and lounge options.

Photo courtesy of Talking Stick Resort

Similarly, said Norum, "In companies whose entire image is based on being the best of the best, it only makes sense to create awards that provide a best of best experience. These awards should be reflections of the corporations that sponsor them."

awards in select markets. Surprisingly, the financial sector still is strong, though quiet and cautious."

"Lavish is all about perception," said Norum. "It depends on how you define it. If you have a company whose image is based on glitz and glamour and really exciting salespeople, then you need to be lavish."

The New Normal Evolves

And that new normal is all about rationalizing not just the amount spent on an incentive — but what winners get out of their trips and what their companies gain.

Sorenson said at NYU that messaging about luxury has changed as well, noting, "There has been an impact on marketing because of all these perception issues; instead of lavish images, we're getting the emphasis on experience." And that experience frequently involves doing good.

Sean J. Mahoney, global vice president of corporate and incentive sales for Silversea Cruises, said that more and more providers of incentive travel, "are looking at the psychographics as opposed to the traditional demographics of age, education, etc. At Silversea, we want to know not only where you're dining but why you chose a certain restaurant. This is the type of thing that helps perfect a trip. We have developed big databases and big data mining to make the most of this information."

The CSR Component

In addition, said Mahoney, "Companies are incorporating social responsibility into their programs. From a shareholder or consumer perspective, it helps to justify the trip. Depending on our destination, people are asking where they might spend a day helping out; they love it and it helps break down walls with locals."

At Fox, said Norum, "We're finding the integration of corporate social responsibility at these events a growing movement. People who are fortunate want to feel good about helping people. We have had people build bikes, clean schoolyards and more. We refer to it as leaving not only a footprint, but a 'heartprint.' And you want to extend that community service beyond the trip so that attendees continue to donate or attend functions outside the incentive trip."

Big picture, said Simon: "Incentive is changing to some degree. We're seeing a decline in those fabulous dinner banquets. Or, instead of three dinners, they will do a reception one night, a big group dinner with a lot of impact the second night and a dine-around the third night with a stipend for local restaurants."

Planners, said Nuttall, "are now finding the way to have a lovely business event that is visionary even though they might not charter a private jet or a fleet of limos. They may still go to the same resorts but won't be renting out a private island."

"We are seeing more tiered awards," said Nuttall. "There might still be lavish awards at the very top threshold but that will involve very high earnings. The planners are really stretching the goals." She also said that incentive trips "need higher levels of approval, a heightened level of review and analysis."

Norum, who works on incentive programs from the front end to the back, said that companies had to restructure their incentive program parameters. One company, "knowing that fewer people would qualify extended their qualification period." That was necessary, she said, "because a properly structured sales incentive program not only increases performance but completely pays for itself."

Scheduled Free Time and Activity Credits

Another trend, said Norum, is toward what she calls "strategically planned white space" — or planned free time. "When you have younger participants especially," said Norum, "they like the autonomy to participate on their own time frame in unique activities in sync with their lifestyle. They are so appreciative to be able to do what they want, when they want, while participating in a group incentive program."

Also on the upswing are activity credits where winners get a certain number of dollars per person to use as they like. "If they want to participate in multiple activities going over their credit allotment," said Norum, "they can pay the difference. During the boom years, most companies would automatically pick up everything."

The bottom line, said Norum, is that "Bigger isn't always better. It's about providing a unique experience. We did a few programs in Ireland where winners dined in the homes of families. That created incredible memories and lifelong friendships. The attendees tie these exceptional experiences directly to their company. They return from the trip thinking and knowing 'My company is the best in the world. I'm going to do all possible to continue to be part of the best.'"



"Luxury and lavish are not terms we use much anymore. Part of that was simply being low-key — not having the company's name in the hotel lobby or on signs outside the front door."

Timothy J. Fleming, Executive V.P. Sales, Operations and Client Services, Travel & Transport, Omaha, NE

Incentives to Make Deals

In 2009, said Fleming, deals were easily had, including many “great bargains.” This year, he said, that has already changed. “You’re not seeing quite the level of deals,” he said, “because prices had been rock bottom.”

“People are still spending,” said Mahoney, “because incentive programs are an important part of their company cultures. But they’re also still contracting when they do spend.”

At the Four Seasons Maui, said Simon, “We adjusted our strategy and took a long-term approach.”



“We are seeing more tiered awards. There might still be lavish awards at the very top threshold but that will involve very high earnings. The planners are really stretching the goals.”

Cheryl Nuttall, Executive Vice President Business Development, Altour Incentive Management, New York, NY

As a result, he said, “We are back in the driver’s seat with a strong forward outlook. Insurance companies are certainly coming back while financial firms will take a while longer.”

“The culture of American companies,” said Simon, “whether it’s insurance or high-tech or

manufacturing cars — they have to motivate their top performers recession or not.”

The resort did “price adjustments,” said Simon, and “went straight to financial and insurance clients, targeting the core of those who had booked us in the past. Our message for this year and next was that you can afford to stay at our resort now. We were able to secure quite a few bookings under the premise that these rates will not always be at these levels.”

But Simon stressed that his resort “made no cutbacks during the recession. We did not lay off employees or reduce restaurant hours. In addition we continue to offer an extensive number of complimentary items. In this era of travel blogs and review sites, it takes only a few seconds before word spreads that you have cut something; it’s not worth it.”

For their part, said Simon, “Planners adjusted as well, opting for an oceanview room rather than a suite.”

Suppliers, said Brondyke, are responding to the economic situation by lowering rates. In addition, he said, “the hotels are likely to work with a planner, and it’s the client who is driving the deal while suppliers also try to add value. For example, at our hotels we have been reducing some add-on group expenses such as bundled amenities like Internet access and fitness center use.”

Internationally Inclined

“We have some accounts,” said Fleming, “that have a policy against international travel. Others are simply keeping their money in the U.S. for now. We don’t look for the latter to continue and think it’s a short-term trend.”

Before 2009, in fact, said Fleming, “international was a big part of our incentive package — and we sense some rumblings about a return. And we’re talking about Europe, Mexico and the Caribbean.”

While she has definitely seen a reduction in international trips, said Norum, “We are now seeing more proposals for international destinations — primarily for travel in 2012 and forward; we’re delighted with that. We have partners throughout the world that depended on the American-based incentive market. Even with the changing face of incentives, it is great to be working more frequently with them again.” (See related story entitled “The International Scene.”) **I&FMM**

A Big Thumbs Up for Travel Incentives

Site International Foundation in September released the results of its first “Site Index: Annual Survey.” The survey reinforces the concept that motivational travel incentives as extrinsic motivators continue to be more desirable than other forms of rewards directly linked to measurable business results. A majority of respondents (62 percent) expect an increase in motivational travel use in the next six to 12 months, with 84 percent predicting improvement in a one- to three-year span. The report added that the requirement for measurement will increase in both the short and long term, emphasizing that, as originally reported in the “Site Index: Focus on Measurement of ROI/ROO,” motivational events professionals will need to clearly communicate to clients and management both the expected return from their investment and how this return will be clearly measured. The full report is available at www.siteglobal.com



Incentives at Sea

Cruise ships have come on strong as an incentive option in recent years — promising participant appeal, good value and the ability to visit a number of places on the same excursion.

Sean J. Mahoney, global vice president, corporate and incentive sales for Silversea Cruises and current president of Site's global board of directors, recently sold a full charter to an insurance company planner. The week-long sailing will take place in the Baltic next summer.

Mahoney does say, "In my role at Site, I hear about poor business results these days. A lot of that is about the general economic environment, and some of it is still a result of the heightened sensitivity around incentive and business travel."

But he said that many privately held companies are "not as concerned with shareholder perception. They are concerned with consumer perception. However, those firms are still spending." In fact, he added, "If we continue at the current booking pace, 2011 will be the biggest corporate incentive year for Silversea."



Silversea Cruises' new Silver Spirit ship set sail on her inaugural cruise in January. The 540-passenger, all-suite ship features the largest suites in the Silversea fleet.

Photos courtesy of Silversea Cruises

ROI Bonus

Jo Kling, who co-founded Landry & Kling in 1982 to help manage cruise-based meetings and events, said cruises provide an ROI bonus of 20–40 percent. Kling's company launched Seasite in the fall of 2009, an online cruise portal for meeting planning professionals. She said that despite financial advantages offered by cruises, "Many planners are hesitant about the suitability of a cruise venue. Our job is to educate them."

She added, "In addition to ROI, we also use the term Return On Objective because we have carefully documented how companies have more successfully achieved their objectives with cruise incentives."

At Travel & Transport, said Fleming, "We are seeing interest in cruising, including a lot more interest in Alaska. That fits the guidelines of not traveling internationally for those companies that are not doing that right now."

A big plus for cruises these days, said Fleming, is connectivity. "In the past," he said, "you were isolated. Now you can use your mobile phone on most ships, and there is Internet access in your cabin or in a public room. People on incentives are working — nobody doesn't check voice or e-mail. That's how those people got to be on these trips."

Norum, at Fox, said, "We did see an uptick in cruises in 2009 because it is considered a semi-all-inclusive and can be incredibly cost effective. Planners can be more creative by using all the different spaces on the ship without incurring the typical cost of a big gala event."

All-Inclusive Value

Cruising as an industry, said Mahoney, "has managed better than resorts during this period because of our value proposition. While companies are leveraging their business travel spend, they are looking for ways to cut costs without compromising quality. Because they can spend less on a cruise, although it is a luxury product, they will be spending less overall.

"We have been reaching out to planners in a different way," said Mahoney.

"Being a privately held

company we're very nimble. The first thing we did was to change our advertising voice. Typically with corporate and incentive we lead with the ultra-luxury cruise experience message. Instead, we are leading with an all-inclusive value. We are also sticking to our core competency and not pretending not to be luxury or making big cost cuts. We are not downgrading amenities. We believe all of that diminishes your

"If we continue at the current booking pace, 2011 will be the biggest corporate incentive year for Silversea."

Sean J. Mahoney, Global Vice President of Corporate and Incentive Sales
Silversea Cruises, Fort Lauderdale, FL



brand, and we refuse to do it.”

However, he explained, “We are just a little more flexible in negotiating. What is good for us and for any provider of incentive travel is the most discreet pricing you have.”

Mahoney said that the last few years have actually brought the travel industry together in educating the public on the importance of meetings and incentives — and business travel together. He said that “invaluable research” has been produced “in the face of the perception issue.”

Site Guidelines

To avoid future problems with perception, Mahoney said that Site (www.siteglobal.com) is producing guidelines for corporations on event spending “so that companies can better justify that spend and to insure there isn’t any confusion about the value of these events in the future. There will also be guidelines about the percentage of marketing budget that should be targeted toward incentive.”

As for trends in incentive trips themselves, Mahoney said “the big buzzword is engagement — providing the most personalized and customized program, creating an event that offers a lot of personal enrichment with an extensive cultural experience.” — *HC*