Incentive Research Foundation

INDUSTRY OUTLOOK FOR 2024: Merchandise, Gift Cards and Event Gifting

Outlook remains generally positive, but the effects of the ongoing economic and labor markets are starting to chip away at the optimism of third parties. Merchandise, gift card, and event gifting budgets are generally expected to increase in 2024, though the corporate respondents show a stronger increase in expectations than third parties. Program cancelation continues to fall. While overall 2024 outlook for incentive programs is strong, expectations are leveling out compared to the economic optimism directly following the pandemic, as incentive professionals are challenged by economic uncertainty, rising costs, and a tight labor market.

The IRF's survey, which for the third year included both North American and European respondents, was conducted in October 2023. In total, the study surveyed 193 North Americans and 209 Europeans from the United Kingdom, Italy, Spain, France, Sweden, and Germany. 74% of the respondents were corporate program owners, 16% were third party agencies, and 10% were industry suppliers. All respondents verified they had responsibility for non-cash incentive programs including merchandise, gift card, and event gifting programs, and confirmed their ability to offer informed insights about those programs, including budget and spend activities.

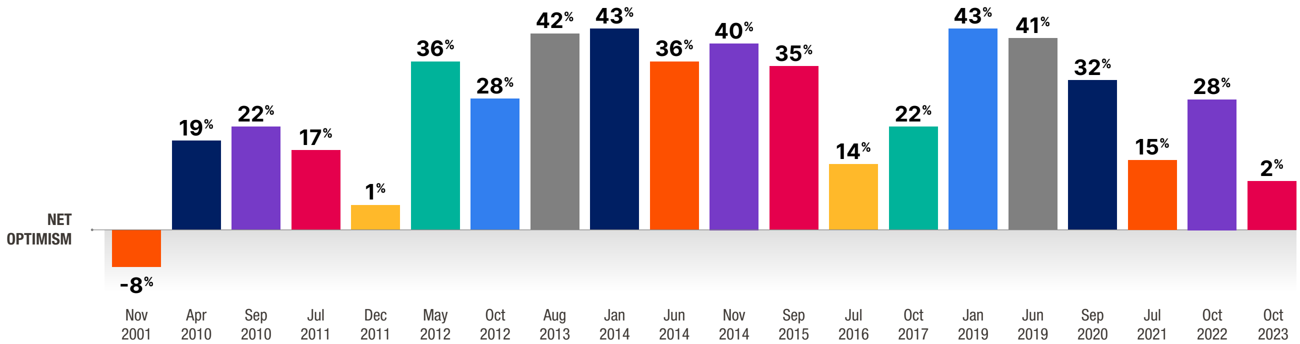
Financial & Economic Outlook Mostly Steady, Though North Americans are Decidedly Less Economically Hopeful than Europeans

After a two-year rebound in outlook and optimism following the pandemic, North American corporate incentive program owners and third parties are leveling out in terms of their expectations. More than half of respondents (58%) feel the US economic outlook is strong, down slightly from 63% last year. A robust 80% of respondents expect their company to have strong financial performance in 2024, down from a recent high of 88% for the *2023 Industry Outlook*.

When comparing North American third party to corporate respondents, third parties are a few percentage points lower on their company's strong financial outlook (76% for third party vs. 81% for corporate) but more markedly cautious in their outlook for the US economy (50% vs. 62%). This difference in optimism between third parties and program owners is one we see frequently, as third parties must anticipate the combined effect of any market challenges across the entirety of their corporate customers.

European program owners and third parties are similarly optimistic about their company's financial performance in 2024, with 84% expecting strong performance. Unlike their North American counterparts, European respondents have shown small but steady increases in this positive outlook over the last three years (78% in 2021, 82% in 2022, and 84% this year). And we see a similar difference in outlook when comparing European program owners to third parties, with 88% of corporate respondents anticipating strong company performance in 2024 compared to 72% of third parties.

North America Net Optimism - Impact of Economy on Programs



In the coming year, what impact will the economy have on your/your clients' non-cash reward and recognition program planning and execution.
Net Optimism Score = % positive about the economy - % negative about the economy

Lingering economic uncertainty, rising costs, a continued tight labor market, and a looming presidential election combine to yield the most measured net optimism score the IRF has reported for North America in over a decade. Overall, the expectation for the economic impact on non-cash reward and recognition programs is balanced and neutral at a net of 2% - the number of industry stakeholders expecting a positive economic impact is only 2% higher than those expecting a negative effect. This time last year, the net optimism was more positive, at 28%. The decline is evident in both corporate and third party respondents, but it is the third parties driving the magnitude of the shift, with a 40% point drop over the past 12 months (from =21% to -20%). Their corporate counterparts have a smaller swing, from +30% in October of 2022 to +9% in October 2023.

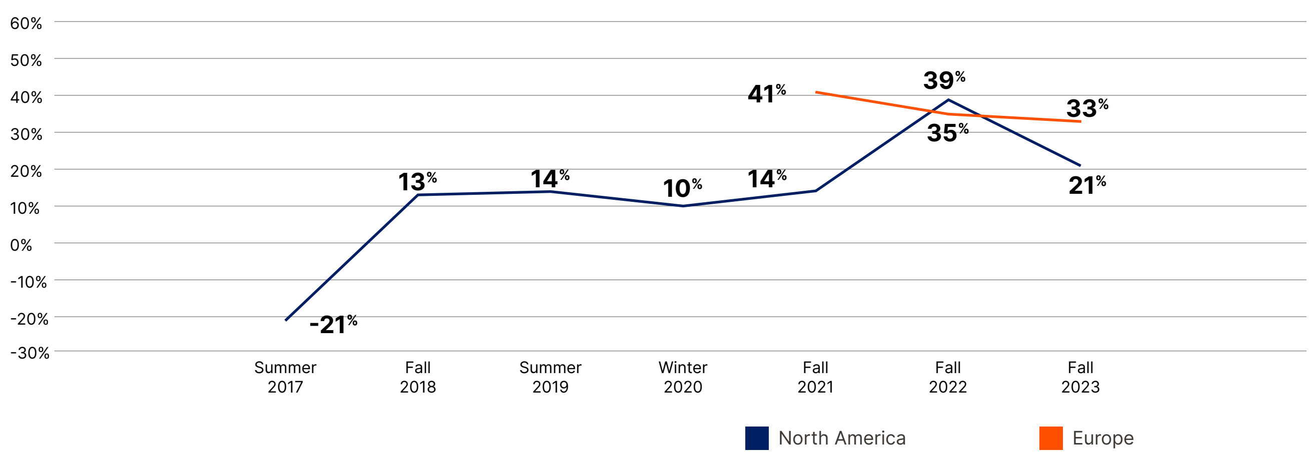
European program owners and third parties did not demonstrate the same downward adjustment of their expectations as their North American counterparts. Overall net optimism for economic impact remained steady at 29% (compared to 28% last year), with both corporate program owners and third parties sharing that outlook.

Attitudes Toward the Regulatory Environment Are Positive, Though Corporate Respondents Show Higher Levels of Optimism vs. Third Party Respondents

European industry stakeholders are similarly steady in their year-over-year expectations for the impact of the regulatory environment on their non-cash programs; net optimism for regulatory impact is 33% for 2024 compared to the prior outlook of 35% for 2023. As with North American respondents, corporate stakeholders are somewhat more positive in their outlook compared to third parties (35% vs. 27%, respectively).

While not as remarkable as the change in expectations for economic impact to incentive programs, North American respondents reported diminished optimism for regulatory environment impacts as well. Overall net scores declined from 39% in Fall 2022 to 21% for our Fall 2023 survey. Again, third parties showed a much steeper adjustment (39% in 2022 to 7% in 2023) compared to their corporate counterparts (41% in 2022 vs. 25% in 2023).

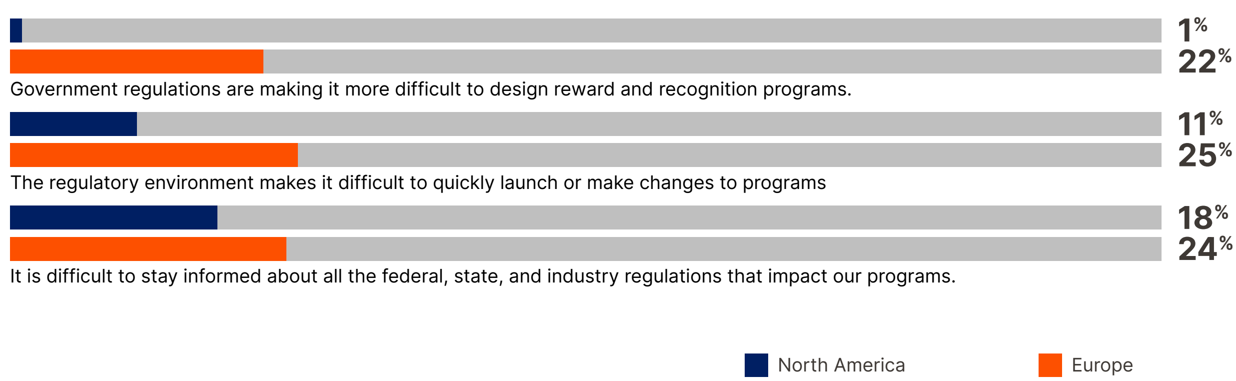
Net Impact of the Regulatory Environment on Non-Cash Programs



In the coming year, what impact will the factors below have on your/your clients' non-cash reward and recognition program planning and execution? Net Optimism: % Positive Impact - % Negative Impact

Despite higher optimism about their ability to overcome regulatory challenges, European stakeholders are more impacted by specific aspects of the regulatory environment than their North American peers. European respondents consistently agree that the regulatory environment they operate within is difficult to navigate, impacting their ability to move with speed and up-to-date information. North American program owners and third parties feel these challenges differently, with the most challenging aspect staying informed on all of the federal, state, and industry regulations that impact their programs.

Regulation Issues Influencing Non-Cash Recognition Programs

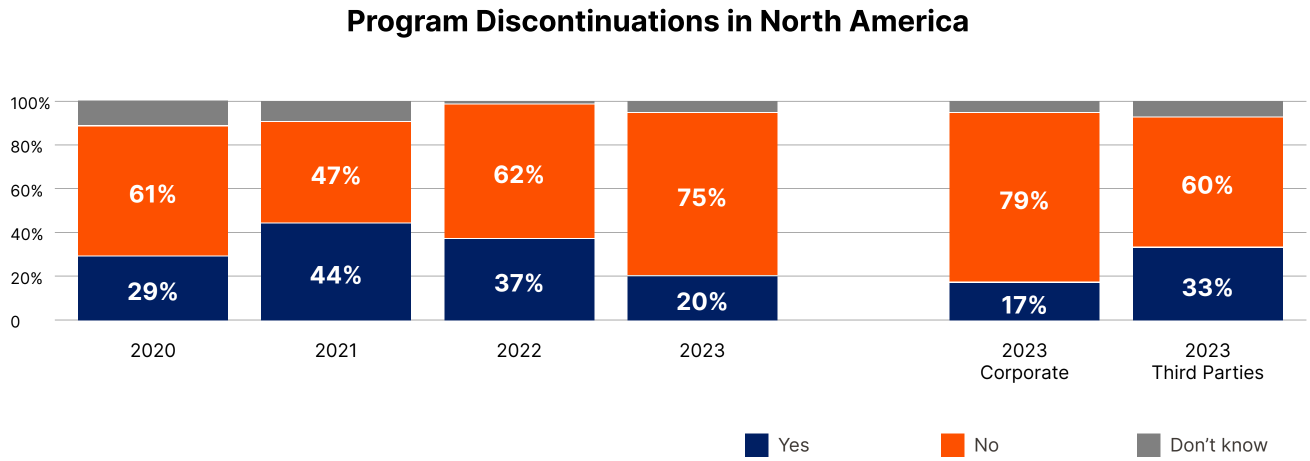


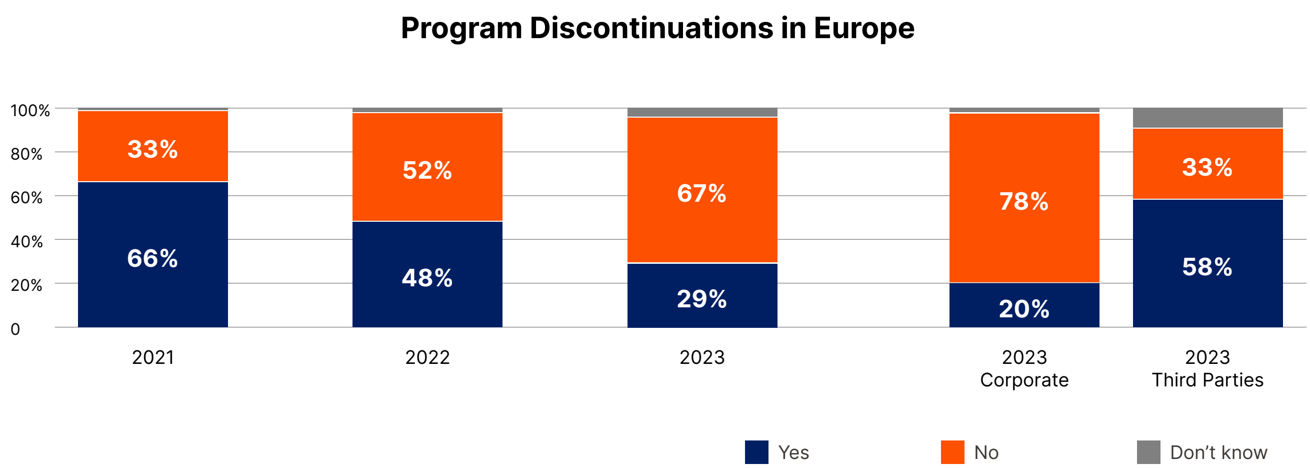
Looking ahead to the next year, to what extent do you agree with the statements about regulations? Net Percentage = % 'Agree' - % Disagree

Program Cancellations Continue to Decline

Program cancellations have continued to decline in both North America and Europe, year-over-year. In 2021, 44% of North American respondents reported at least one program discontinuation. That number declined to 37% in 2022 and is 20% in 2023. Only 17% of North American corporate program owners have had to discontinue a non-cash reward and recognition program in 2023. Third parties are much more likely to have seen at least one program discontinuation in 2023, with 33% reporting a client discontinuing a program in 2023.

Cancellations have declined at a similar rate in Europe. In 2021, two-thirds of European stakeholders saw at least one program discontinued, compared to 48% in 2022, and 29% in 2023. Only 20% of corporate program owners cancelled a program this year, while 58% of third parties saw at least one of their clients cancel a program.





In the past year, have you/your clients discontinued any merchandise/gift card program(s)?

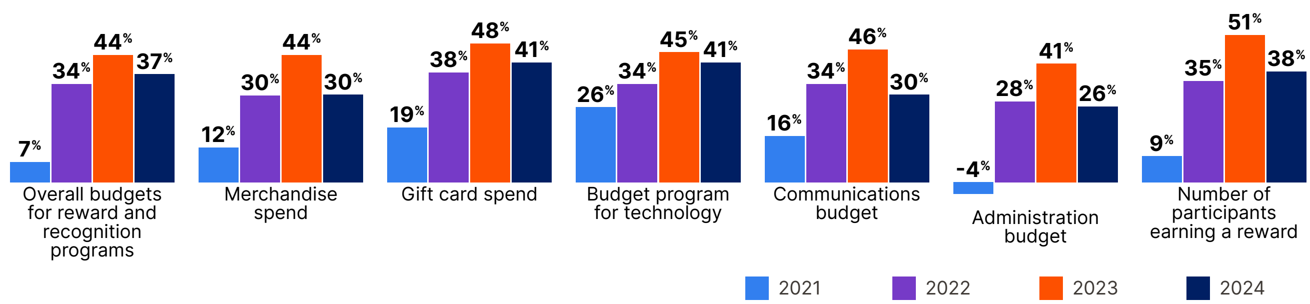
Financial Forecast is Ranked as Top Consideration for Non-Cash Program Design

When designing non-cash reward and recognition programs, North American and European stakeholders take very similar approaches considering various aspects that might impact design decisions. Paramount to design is the company's financial forecast (88% North American and 84% of European program designers). Perception of the public (77% North America and 82% Europe) as well as internal stakeholders (76% North America and 79% Europe) carry considerable weight. Competitor programs also influence design considerations, although to a somewhat lesser degree (66% North America and 71% Europe).

Outlook for Budgets is Positive Heading into 2024

Despite lingering uncertainty about the impact of the economic environment on their programs, North American respondents report their budgets will increase going into 2024 (37% net reporting increase). Increases are expected across all spend categories, with gift card and program technology seeing the most respondents increase spending (41% each), driven partially by a higher number of participants expected to earn a reward for 38% of respondents. Corporate program owners and third parties generally agree about these increases, with a couple of interesting exceptions. Third parties are more likely than corporate program owners to forecast increased spending on program technology (53% third party to 39% corporate) and communication (37% to 28%) but less likely to expect increases to the overall budget (30% third party to 40% corporate), merchandise (20% to 31%), or program administration spend (17% to 29%).

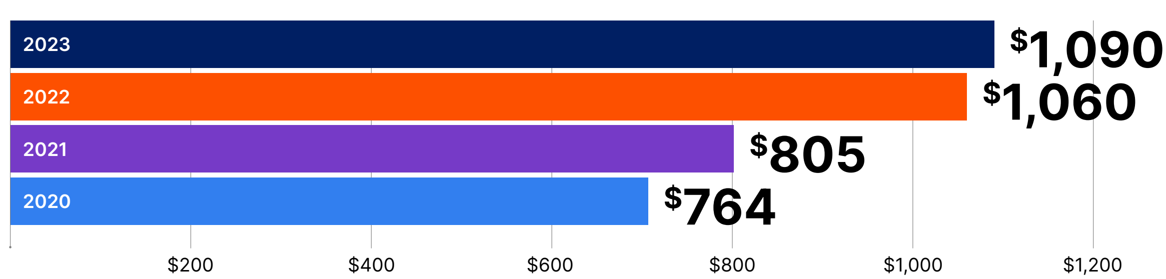
North America Anticipated Net Change in Budgets for 2024



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged? Net change = % Increase - % Decrease

Following a considerable jump between 2021 and 2022, per-person spend has increased only slightly, from $1,060 in 2022 to $1,090 in 2023. One quarter of respondents (24%) budget between $101 and $200 per person, with another 20% budgeting between $251 and $500 per person.

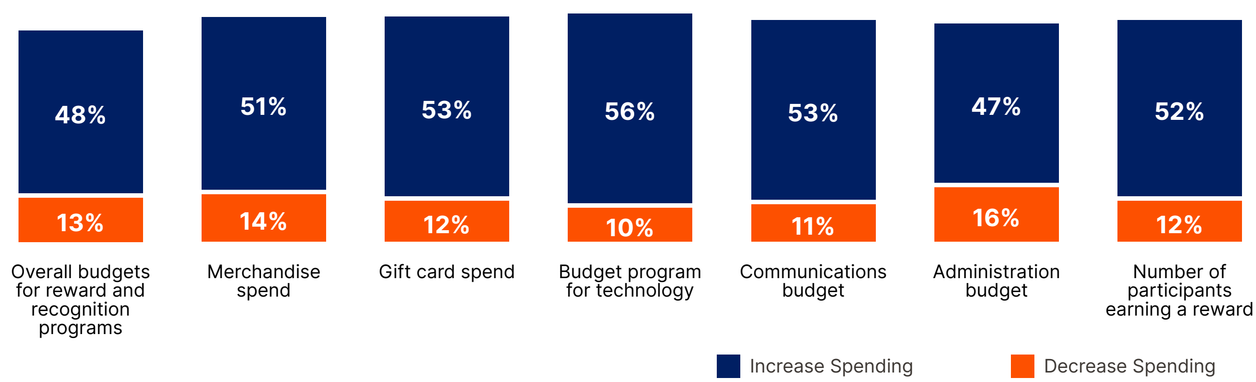
North America Average Per-Person Spend on Non-Cash Incentive Programs



What is the average per-person rewards spend for your/your clients' non-cash reward and recognition programs?

European program owners and third parties agree with their North American peers, with 48% expecting an increase in spending for reward and recognition in 2024. European industry stakeholders are most likely to expect increases for program technology (56% expect increase), gift card spending (53%), communications (53%), and merchandise (51%). Just over half (52%) of European respondents expect an increase in the number of award earners in 2024. Corporate program owners are more likely to expect increases in every category compared to third parties, with the most notable expectation gap in gift card spend (net 45% of corporate vs 15% of third party).

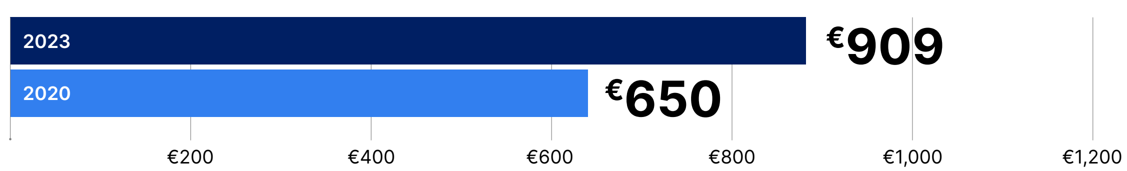
European Budget Increases vs. Decreases for 2024



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?

European reward and recognition professionals reported an average spend of €909 per person in 2023, up significantly from €650 in 2022. This is due to an increase in programs with average per-person spend over €500.

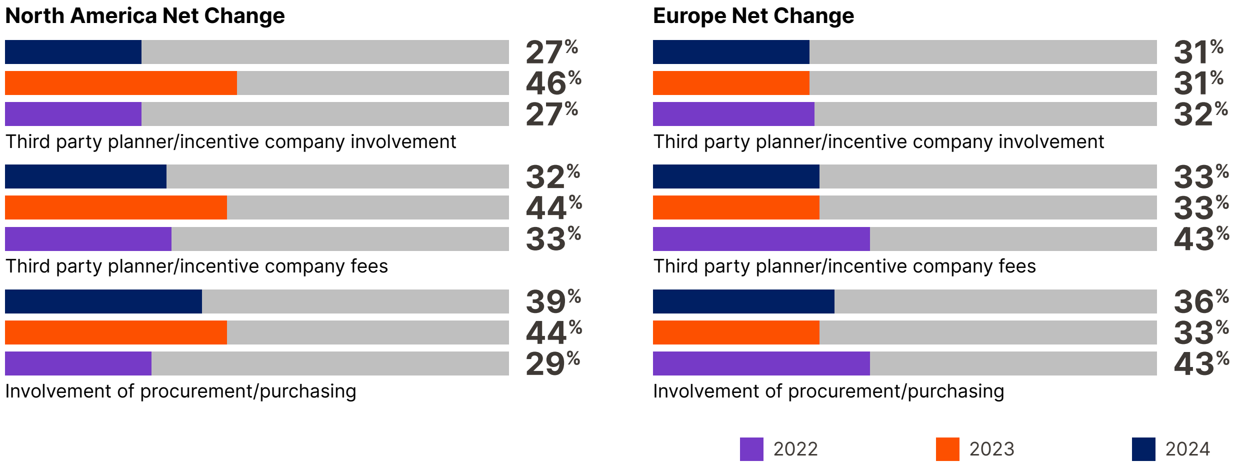
Europe Average Per-Person Spend on Non-Cash Reward & Recognition Programs



What is the average per-person rewards spend for your/your clients' non-cash reward and recognition programs?

Following a considerable jump in 2022, North American respondents continue to expect a net increase in both involvement (27%) and fees (32%) for third parties. A higher net percentage (39%) expect increased involvement of procurement or purchasing in 2024. European respondents have similar expectations, with a net 31% expecting an increase in third party involvement, 33% expecting a corresponding increase in fees, and net 36% expecting increased involvement from procurement or purchasing.

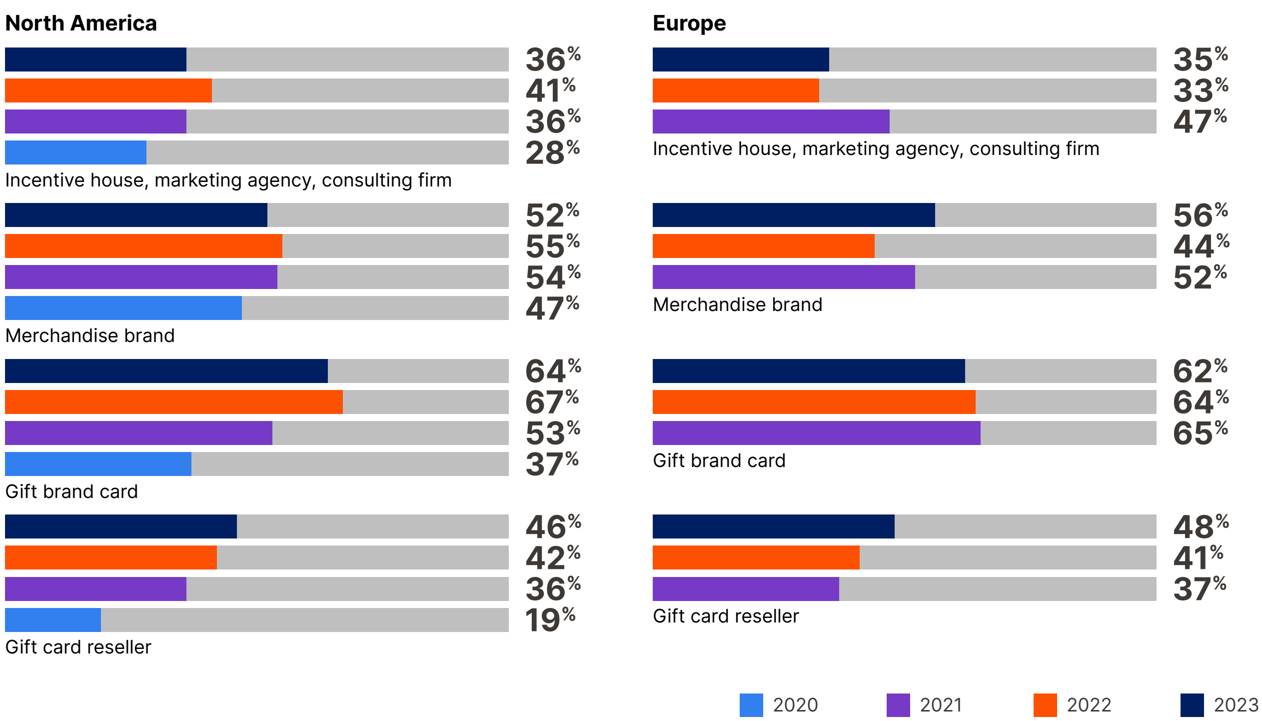
Outlook for Working with Partners



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged? Net change = % Increase - % Decrease

For North American and European corporate program owners alike, the most prevalent direct relationships are with gift card brands (64% North America, 62% Europe) or merchandise brands (52% North American, 56% European). The utilization of gift card resellers continues to increase, with 46% of North American and 48% of European respondents reporting a direct relationship. With a relationship reported by just over a third of respondents in both North America and Europe, incentive houses, marketing agencies, and consulting firms have the most opportunity to increase their footprint with program owners.

Direct Working Relationships with Partners

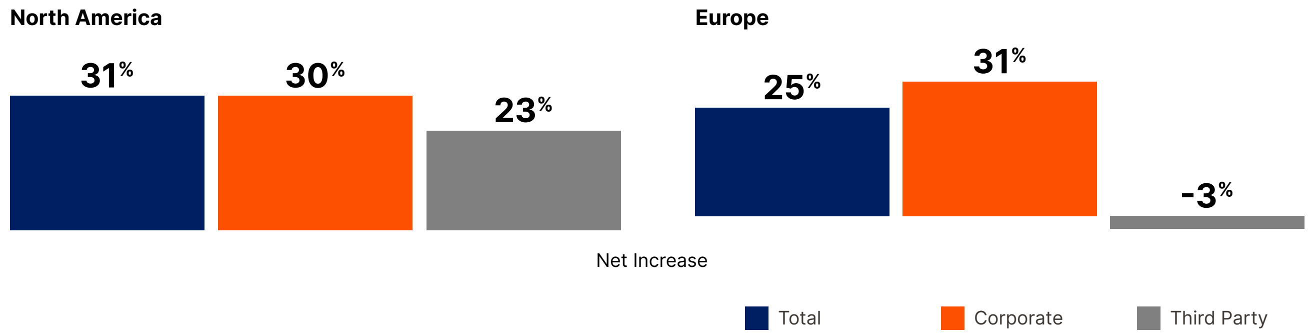


For your non-cash reward and recognition programs, do you work directly with…

Merchandise Rewards Utilization Expected to Increase in 2024

North American and European stakeholders alike expect continued increases in merchandise rewards in 2024, with North American respondents slightly more likely to anticipate expanded utilization of merchandise in their programs. In North America, corporate program owners are more likely than third parties to expect increased prevalence of merchandise rewards, but both groups agree that utilization will increase. In Europe, there is a difference of perspective when comparing corporate and third parties – a net 31% of corporate respondents expect an increase while third parties are actually more likely to expect a decrease in 2024.

Growth in Merchandise Spend - Net Increase for 2024



In the coming year, do your/your clients generally anticipate the use of merchandise rewards will increase, decrease, or remain unchanged?
Net increase = % who plan to increase budget - % who plan to decrease budget

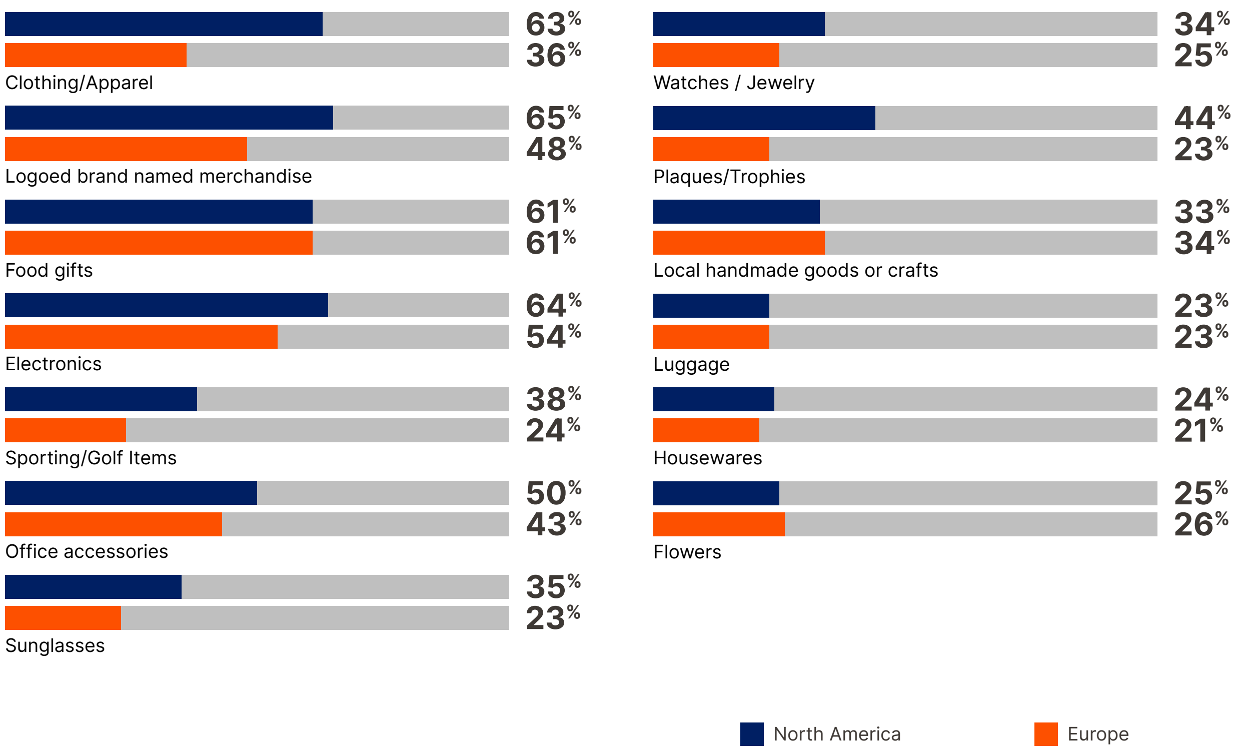
Both North American and European respondents witnessed a net increase in their merchandise budgets. 42% of North American respondents and 43% of European respondents anticipate a rise in merchandise rewards in 2024. While overall expectations remain consistent between continents, variations emerge when comparing corporate program owner vs. third party expectations.

In North America, respondents foresee a 30% net increase overall. Corporate respondents in North America expect slightly higher net growth rates than their third party counterparts (30% corporate, 23% third party).

In Europe, although overall expectations point towards growth in merchandise rewards for 2024, those net gains are coming from program owner respondents with a 31% net gain. Third parties expect losses at net -3%. While the percentage increasing budget wasn't dramatically lower than corporate (36% third party vs. 45% corporate), the percentage expecting to decrease budget toward merchandise rewards was significantly higher among third party than corporate program owners (39% third party vs. 14% corporate), explaining the net loss.

The average value per instance spend on merchandise programs' for reward/recognition $177 in North America and €174 in Europe. Third parties in North America spent significantly more on average than corporate program owners ($221 third party vs. $169 corporate). In Europe, the reverse was true, with corporate respondents outspending third parties (€180 corporate vs. €149 third party)

Merchandise Prevalence in North America and Europe



What types of merchandise and gift cards are used within your/your clients' reward and recognition program(s)? Check all that apply.

In Europe, the prevalent merchandise rewards include Food Gifts (61%), Electronics (54%), Logo Brand-Name Merchandise (48%), and Office Accessories (43%). Unlike North America, the prevalence of specific merchandise gifts has shown minimal changes from the previous year, with exceptions noted in Food Gifts (+20% vs. prior year), Logo Brand-Name Merchandise (+9% vs. prior year), and Clothing/Apparel (-9% vs. prior year). Europe, in contrast to North America, generally exhibits lower prevalence of merchandise gifts across various categories, particularly in Logo Brand-Name Merchandise, Plaques/Trophies, and Clothing/Apparel.

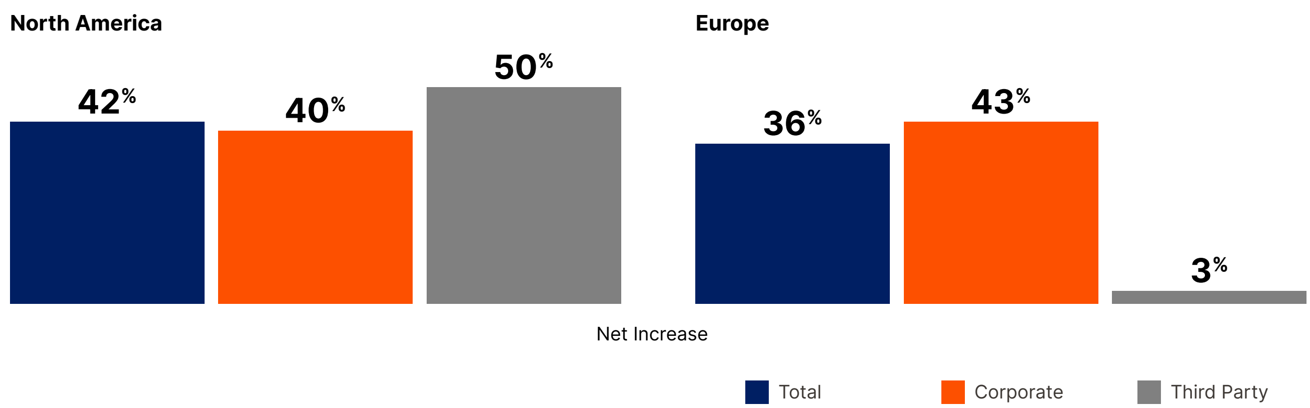
Logo Brand-Name Merchandise (65%), Electronics (64%), Clothing / Apparel (63%), and Food Gifts (61%) have the highest prevalence in North America in 2023. All merchandise categories in North America show an increase year-over-year with the exception of Plaques / Trophies (-22% vs. prior year), Local handmade goods or crafts (-19% vs. prior year), Flowers (-6% vs. prior year), Housewares, (-8% vs. prior year), and Luggage (-19% vs. prior year).

Gift Card Spending Expected to Increase, with the Exception of European Third Party Expectations

North American respondents anticipate a strong net budget increase in 2024 for gift cards. 52% of respondents anticipate an increase, and only 10% predict a decrease in gift card budgets. In North America, third parties expect to see greater net increases in gift card rewards when compared to corporate program owners (50% third party vs. 40% corporate).

Similar to merchandise gifts, Europeans generally plan to increase their gift card rewards in 2024 with 51% expecting gift card growth and only 14% expecting a decrease. Europeans did show a significant disparity in trends between corporate and third parties, as third parties expect very little net increase in their gift card rewards (43% corporate vs. 3% third party net increase). This third party net disparity comes from both lower budget increases and higher decreases than corporate respondents (27% decrease / 30% increase third party vs. 12% decrease / 50% increase corporate).

Growth in Gift Card Spend - Net Increase for 2024



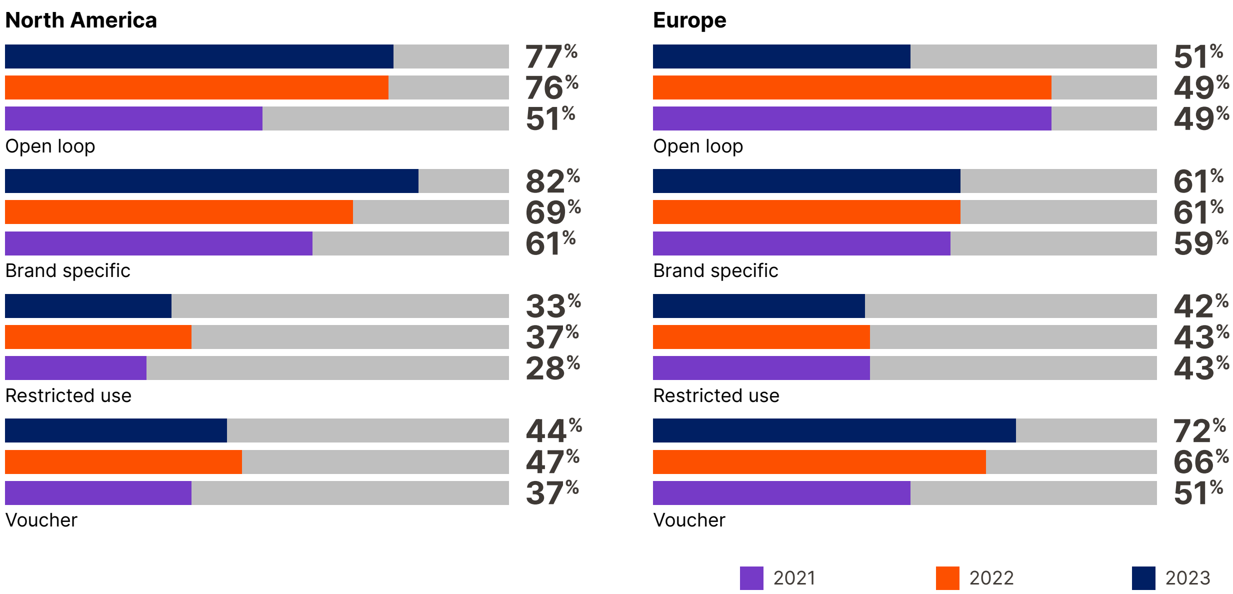
In the coming year, do your/your clients generally anticipate the use of gift card rewards will increase, decrease, or remain unchanged?
Net increase = % who plan to increase budget - % who plan to decrease budget

The average gift card denomination/value is $152 in North America and €161 Europe. Third parties in North America spent more on average than corporate respondents ($172 third party vs. $148 corporate). In Europe the reverse was true, with corporate respondents outspending third parties (€162 corporate vs. €154 third party) The median gift card amount for both North Americans and Europeans is 100 (dollars/Euros).

In 2023, North America witnessed a rise in the utilization of brand-specific gift cards (+13% vs. prior year), while Open-Loop Cards, Restricted Cards, and Gift Card Vouchers showed negligible differences compared to the reports from prior year.

In Europe, there is minimal variation in the types of gift cards used, with Gift Card Vouchers experiencing the most notable change (+6%) from 2022 to 2023. Europeans demonstrated a higher preference opting for Gift Card Vouchers compared to North Americans (72% Europe, 44% North America). In contrast, Europeans were less inclined to use Open-Loop or Brand-Specific cards compared to their North American counterparts.

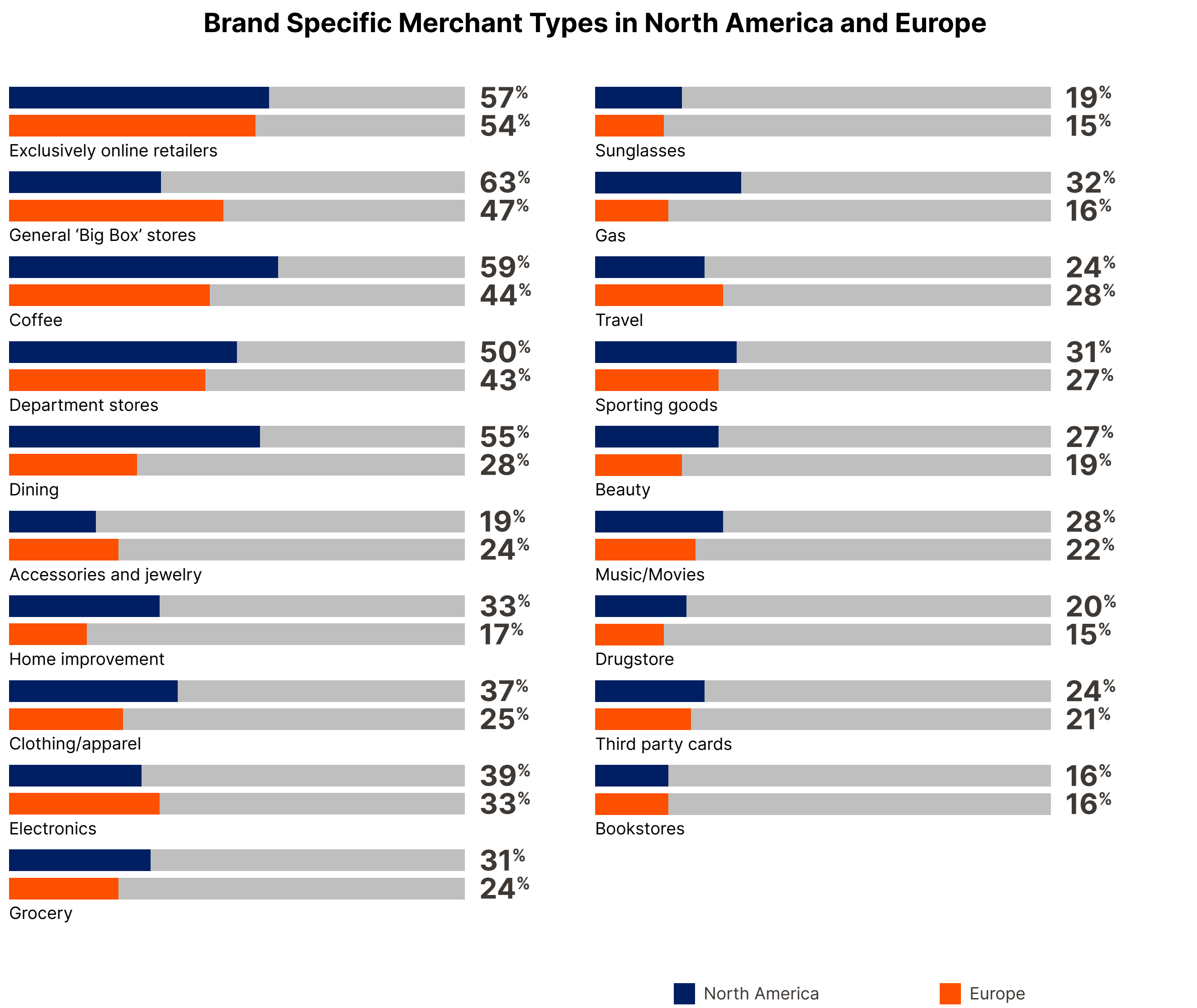
Use of Gift Cards



What types of gift cards does your company use in its non-cash reward programs?

In North America, nearly all brand-specific gift card categories continue to experience participation growth compared to 2022, with minor exceptions observed in Sunglasses (-6% vs. prior year) and Accessories & Jewelry (-1% vs. prior year). The utilization of gift cards is on the rise, both in terms of volume and the variety of options available to recipients. The top three categories selected in North America were General "Big Box" Stores, Coffee, and Exclusively-Online Retailers.

Similarly, across various merchant types in Europe, the majority witness participation growth in the realm of gift card rewards. Minor exceptions include declines in Sunglasses (-6% vs. prior year), Beauty (-4% vs. prior year), and Clothing/Apparel (-4% vs. prior year). Notably, Exclusively Online Retailers maintain their prominence as the most common merchant type for branded gift cards in Europe, sustaining the 2023 rate at 54%. Coffee gift cards and Department Store cards continue to exhibit growth, securing the second and third positions as the most frequently chosen gift card categories in Europe.



Which of the options below best describes the types of merchants selected when your company buys BRANDED gift cards for your non-cash rewards programs?

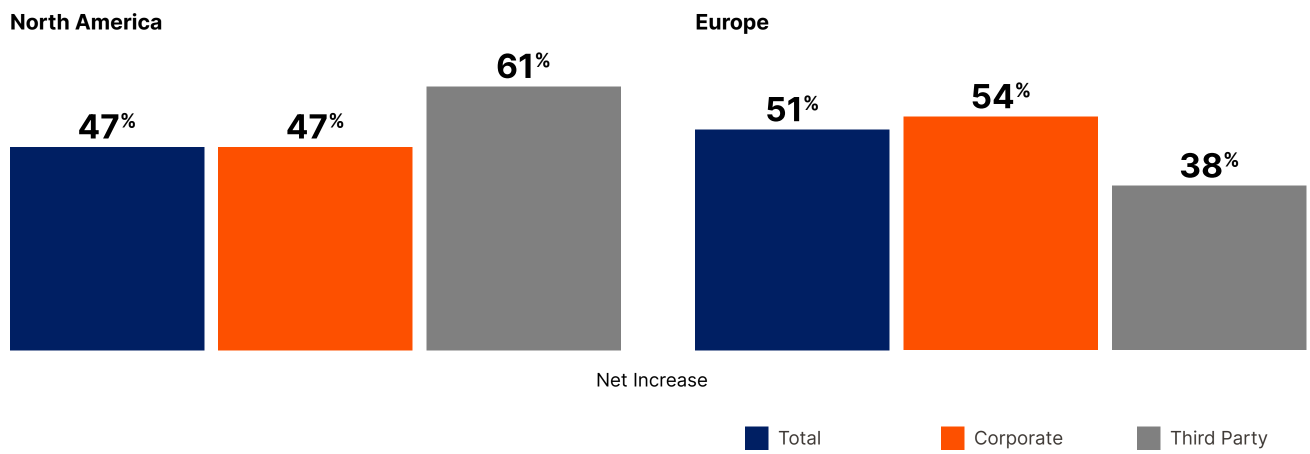
In 2023, total average annual per-person spend on event gifts was $944 in North America and €869 in Europe. North American third parties spent significantly more than their corporate counterparts ($1635 third party vs. $847 corporate). In Europe the corporate program owners spend modestly more than third party agencies (€880 corporate vs. €821 third party).

Both North American and European respondents exhibited substantial rises in the average annual spending per person for event gifts compared to prior year. Although North Americans, on average, spend more per person for event gifts, Europeans boast a higher median value. The disparities in these figures imply that Europeans experience a less dramatic range in spending when compared to their North American counterparts.

Spending on Event Gifts Expected to Increase in 2024

In the last two years, there has been an upward trajectory in event gifting budgets, and this trend is anticipated to persist into 2024 with budget increases across the board. A significant 55% of respondents plan to augment their budgets, with only 7% foreseeing a decrease. Notably, third party respondents anticipate the most substantial changes, with a 61% net increase expected in 2024. The top event gifts in North America are Nationally Recognized Branded Merchandise (73%), Food and Beverage Crafted Locally (57%), Gift Cards (56%)

Growth in Event Gifting Spend - Net Increase for 2024 (coming)



In the coming year, do your/your clients generally anticipate the following program elements will increase, decrease, or remain unchanged?
Net increase = % who plan to increase budget - % who plan to decrease budget

Europeans also have intentions to boost their event gifting budgets in 2024, with a slightly higher net percentage increase compared to North America. Specifically, 57% of respondents in Europe plan to enhance budgets, while only 6% intend to decrease them. In contrast to North America, the net increase in budgets in Europe is propelled more by corporate (54% net increase) than by third party (38% net increase). Top European event gifts included: Nationally Recognized Branded Merchandise (52%), Gift Cards (50%), Locally Relevant Goods and Crafts (47%).

Meaningfulness is the number one priority in both North America and Europe when selecting an event gift. Customer Events, Conferences / Tradeshows, and Internal Meetings were the most common meeting types for event gifting in North America and Europe. Significantly more North Americans said sponsors did not cover event gifting costs than Europeans (24% North America vs. 9% Europe). Among those who did have sponsors, sponsorship fee was the most common way this was covered (31% North America vs. 41% Europe).

Reason for Optimism in the Incentive Industry

Expectations are generally leveling out compared to the economic optimism directly following the pandemic, but overall rewards budgets are continuing to increase. North America and Europe generally following similar trends regarding their optimism, with the exception of North Americans taking a decidedly less optimistic view of the economy than Europeans in 2024.

Program cancellations have continued to decline in both North America and Europe. Though gift card resellers are becoming more common partners, direct relationships with gift card brands are still the most common partnerships.

Year-over-year. European and North American rewards budgets are going up across the board, though not at the rate expected last year. Generally, third parties expect to see more restrained budget increases in comparison to corporate program owners. Non-cash merchandise and gift cards for the corporate respondents look to make some solid increases in the upcoming year. Event gifting expectations also show an increase next year all around. Generally, a positive outlook on incentive programs, with stronger budget increases particularly on the corporate side.

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