

# Financial Services Crisis and Its Effect on the ME&I Industry

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*The calamity that comes is never the one we had prepared ourselves for.*

- Letter to Olivia Clemens, August 16, 1896

More than 100 years ago, author and humorist Mark Twain succinctly summarized the feeling of many today. That is, the calamity of a financial industry crisis that few anticipated and certainly fewer were prepared for. And it is no secret. The American public is confused and angry about the near total collapse of the financial services industry. This downfall has seen trillions of dollars of personal wealth disappear across the globe and has threatened to stunt economic growth, at least in the near term. Governments around the world have been quick to respond with massive infusions of cash into their banking systems. While there is considerable discussion and debate about the long-term cost of such actions, it is clear that the economic downturn is affecting many people. This situation is further exacerbated by many peoples' belief that the crisis has been perpetrated by senior executives who have pocketed exorbitant amounts of money.

Politicians and regulators have responded by instituting executive compensation limits and promising to crack down on executive excess and inappropriate perks. Examples cited of this excess include questionable uses of corporate aircraft, exotic trips and stays at luxury hotels. Indeed, media coverage on this topic has become common, with numerous reporters combining the charge of excessive executive compensation with executives' attendance at company-sponsored client events, reward and recognition programs and pay-for-performance incentive programs.

While no one would argue with the outrage and need to respond to executive excesses, it is important to step back from the emotion of the times and ensure that the desire to do something does not cause a number of unintended consequences that further damage what has become a fragile economic situation. The broad-brush reporting of this crisis has, we believe, unfairly assumed an organization's use of corporate meetings, events and incentives as prima facie evidence of wrongdoing.

## The Value of Meetings, Events and Incentives

Meetings, events and incentives (ME&I) have long been effective and valuable tools in helping businesses succeed. ME&I programs have the power to reward performance, ensure effective communications to customers or staff, improve customer service, spur innovation through enhanced collaboration, and improve customer, employee and channel partner engagement. These investments will continue to play an important role in contributing to an organization's success. Now, more than ever, companies are battling to retain their top sales talent and customers. Increasing loyalty and commitment of employees and customers and retaining talent are proven outcomes of these investments.

Numerous independent studies have shown that incentive travel programs succeed because of their well designed and communicated qualification structure, as well as the promise of a travel and recognition experience that participants (top sales talent) cannot achieve on their own.

**Consider this:** The 1995 "Measuring the Results of Incentive Programs and Meetings in a Down Environment" study by the Society of Incentive & Travel Executives (SITE) Foundation found incentive trips and programs increase work performance an average of 22 percent. In addition, 63 percent of respondents said their loyalty would increase if their employer offered ongoing incentive programs that allowed employees to choose rewards that were personally relevant to them.

**Consider this:** A 2005 study called "The Long-Term Impact of Incentive Travel in an Insurance Organization" from the Incentive Federation Survey of Motivation & Incentive Applications found four out of five respondents believe travel and merchandise awards have greater impact on performance because they are remembered longer than cash awards.

**Consider this:** Non-cash rewards provide greater "bang for the buck." In a 2007 presentation by Scott Jeffrey, Ph.D., entitled "From Art to Science: Why Tangible Non-Cash Rewards are More Rewarding for You and Your Participants," it was determined

that while cash is important in terms of total reward mix, it takes approximately three times more cash than merchandise to drive the same business results.

Unfortunately, the back draft of the desire to rein in inappropriate executive compensation has caused many of these legitimate incentive programs to be questioned. In fact, the negative publicity and regulatory/legislative rhetoric have chilled investment in this area, not just in the financial services companies receiving federal assistance, but in some cases other industries as well. This blanket response creates significant downstream risk for these organizations, as well as the economy as a whole.

**Consider this:** Corporate meetings and events are an effective method for communicating and engaging customers, channel partners and employees. Eliminating these programs will severely inhibit the organization's growth.

**Consider this:** Incentive travel programs not only generate significant effort and incremental volume from the participants (top sales talent), but also serve as key reward and recognition experiences for these highly sought contributors. Eliminating these incentive trips will lower sales force productivity, decrease high-performing employee morale and increase attrition.

**Consider this:** Customer events provide learning opportunities, networking and customer insight. Eliminating these events will severely hamper the organization's ability to compete and differentiate its products or services.

The idea that organizations should invest more time and money in understanding, tracking and reporting on the business value created by their corporate meetings, events and incentives has been encouraged by Maritz for more than three years. Our approach for improving the value of meetings, events, and incentives investments helps companies:

- Define the business value they are creating through the investment.
- Establish measurement criteria.
- Understand and integrate participant needs into the co-creation of an experience that engages the audience and ensures more effective business outcomes.
- Measure the outcomes and integrate these findings into a dynamic planning and improvement process.

Some of the business objectives that can be positively affected by ME&I activities include:

- Improvements in product knowledge and understanding.
- Greater brand awareness and alignment.
- Improved selling performance.
- Improved collaboration.

While generally there has been universal acceptance of this idea, many organizations have been slow to act. It is just this type of information that is needed to bring balance and perspective to the current conversation. This information can provide the insight, which better makes the case for these investments and also can provide the foundation for improved business performance.

The current tone of the public conversation has caused an unnecessary and unproductive stop- all-meetings-events-and-incentives reaction. A more thoughtful view is to use this situation as a springboard to more effective investments and business performance.

## Companies Must Act and They Must Do It Now!

The foundation for success in this changed environment can be summed up in one word: **transparency**. *Transparency into spending, the value created, and participants targeted* by these programs form the basis for an effective response.

**Spending transparency** refers to the ability for the organization to report on all investments being made in group incentive travel programs across the organization. This transparency needs to extend not only to completed programs, but also those still in the strategic meetings management, planning or negotiation process. Key to having confidence in this information is the assurance that it has been gathered and reported in a consistent, high-quality manner. The degree of transparency and precision around ME&I spending is best achieved through the use of a centralized sourcing team with sophisticated reporting capabilities and a defined business process with meaningful quality controls. An added benefit of this approach is the ability to create significant cost savings, while minimizing contract risk, especially in the areas of attrition and cancellation penalties.

**Transparency into the value created** by these investments requires organizations to become more serious and invest in a process to define and measure how these incentive trips, corporate events, and other investments create value for the business. Key to this is the establishment of a consistent approach for determining both return on investment (ROI) as well as return on objective (ROO) goals. The establishment and meaningful measurement of the appropriate business metrics, by program, will yield improved business performance and establish the basis for continuous improvement.

**Participant transparency** touches on two distinct ideas; engaging participants more fully in the co-creation of the meeting, event or incentive experience, and equipping the organization with a 360° view of how participants are engaged with the organization across all meetings, corporate events and incentives.

The face of business today is more diverse and global than at any time in history. This diversity extends beyond ethnic or racial boundaries and includes such factors as family structure, generational differences, and individual expectations about what constitutes effective motivation, reward and engagement. The transformational power of social networking through the Internet also has changed and emboldened individuals to not only seek, but actively demand, a larger voice in their work environment and the type of experiences that are needed to fully engage them.

Communications around program design have traditionally been a two-way conversation between the meeting planner and the “business owner” of the meeting, with participant surveys, usually after the program is completed, being used to measure satisfaction with hotel services, meals, accommodations and specific content areas. While important, this communications/decision-making approach is lacking. What’s needed is a three-way conversation, where the voice of the participant is brought to the decision-making process in a more meaningful and impactful way. Age, household composition, and generational diversity all come into play when designing effective corporate events or planning an incentive trip. And depending on the type of events, criteria like differences in individual learning styles, communication preferences, differing opinions of what constitutes effective and meaningful engagement, and reward

and recognition activities, all require a fresh approach to program design. Tapping into this diversity and using it for business advantage can only occur if the participants are invited to participate in a three-way conversation around how they view the effectiveness of the many program design issues that confront the planning team.

Understanding participant engagement across the organization is a new and exciting way to connect the ME&I strategy and programs with the organization’s broader strategic investments in brand building and customer relationship management. Many organizations struggle to gain a complete 360° view of how attendance at the various customer events, business meetings, corporate events, travel incentives and experiential marketing programs connect to the broader marketing effectiveness of the organization. Creating this view can address both the reputational risk issues, and also enhance the organizations ability to better target and engage participants and create value.

**The time to act is now.**

## Prove It

Maritz has conducted numerous private studies that demonstrate the value of meeting, event and incentive programs. A national corporate meeting for a professional staffing company increased employees’ commitment to cross-sell by six percent, and provided more than a 20 percent increase in confidence. A channel event increased a technology company’s channel partner intent to purchase by 17 percent. And, a software provider’s customer event increased connection to the company by 19 percent. By understanding and connecting their ME&I programs to their business objectives, these companies were able to maximize the impact of their investment, and through a transparent model, all stakeholders realized the value these investments had on the organization: enhanced loyalty from employees and customers, improved engagement and increased sales.

## It’s Just the Beginning

While the current economic crisis has served as the catalyst for companies to prove the value of their investments, increased regulation and scrutiny will not simply blow over. Being successful in this highly charged environment in the future



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requires new ways of organizing and communicating both decisions and business results. Meeting and conference planners and the people that affect these programs now include compliance and legal resources. The meeting, event and incentive industry is poised to see a permanent change in the way business is done. It is critical for companies to ensure they receive significant business value from their ME&I investments, not just now, but also moving forward.

In closing, reflect on another quote from Mark Twain, in which he stated:

*“We should be careful to get out of an experience only the wisdom that is in it--and stop there; lest we be like the cat that sits down on a hot stove-lid. She will never sit down on a hot stove--lid again--and that is well; but she will also never sit down on a cold one anymore.”*

- Following the Equator, Pudd'nhead Wilson's New Calendar

While no one foresaw the current crisis and the attendant shift in the ME&I landscape, we are currently facing a situation whereby the public response is akin to the cat in Twain's comment, never sitting on the stove lid again. Let us not let the confusion and frustration of today lead us to responses that weaken our businesses, disenfranchise our employees, stifle innovation, and disconnect legitimate investments and the value they create from the decision to invest in meetings, events and incentives. Lack of foresight, as well as public frustration, is no excuse for lack of action today.

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