THE IRF 2026 TRENDS REPORT

The incentives industry is entering 2026 amid persistent cost pressures, geopolitical uncertainty, and evolving participant expectations. Rising expenses and flat budgets are forcing incentive professionals to scrutinize every aspect of program design, balancing necessary cuts with the need to deliver meaningful experiences. Geopolitical instability and logistical challenges are adding new layers of complexity to destination selection and risk management. A growing trend of "job hugging," where employees hold tightly to their current roles due to economic uncertainty, is influencing how organizations approach motivation and recognition strategies. At the same time, we are seeing optimism in both North America and Europe as organizations embrace the power of incentives to engage and motivate their workforce. Organizations are exploring innovative ways to motivate and recognize people to ensure programs remain impactful and resilient in a rapidly changing environment.

Cuts Over Creativity in Incentive Travel

Increasing costs and flat budgets will challenge incentive travel professionals to rethink all elements of incentive travel programs in 2026. According to the *2025 Incentive Travel Index*, rising costs and inflation are the most cited short-run challenges. While for the past several years, incentive program designers have resourcefully stretched budgets, the ability to do more with less via creativity as a success factor is simply gone. To ensure long term viability of incentive programs, incentive professionals are having to cut certain aspects of programs to ensure they remain viable and incentivizing.

Over the past year, the average spend per person for incentive travel increased by just 4% to $5,100. Looking ahead to 2026 incentive travel budgets, 50% of buyers reported that budgets would match inflation and 25% would outpace inflation, improving programs. Despite these expectations for budget increases, 25% of buyers expect to trim per person spending.

With flat budgets and rising expectations, incentive professionals are increasingly focused on strategic budgeting, distinguishing between necessary cost-cutting measures and the removal of program features that no longer deliver significant value. According to the *2025 Incentive Travel Index*, the most common ways organizations are trimming program spend per person include reducing gifting (45%), selecting less expensive destinations (42%), and opting for shorter-duration trips (42%). In Western Europe, choosing closer destinations (67%) and shorter trip durations (56%) are the most cited strategies for managing budgets effectively.

In recent years, offering participants "free time" during incentive travel was an effective way to manage budgets without sacrificing the overall experience. However, as expectations have risen and budgets have remained flat, simply providing unstructured free time is no longer enough to deliver value. Experience design is shifting from free time to micro-moments that foster relationship-building and enhance perceived value at a lower cost, such as hyper local hosts, drop in ateliers, and sensory "reset" stations.

Rethinking Merchandise and Event Gifting

Merchandise continues to be a popular reward, supporting points programs and event gifting. Given budget constraints, inflation, price volatility, and tariffs, incentive professionals are approaching merchandise rewards with measured, cost-conscious planning while maintaining the strategic value of these programs.

Merchandise spend is also on the rise. In North America, the average per-instance spend has climbed to $276, nearly $100 higher than in previous years, as reported in the *Industry Outlook for 2026*. European programs report an average of €306, up €74 over the same period. However, the buying power of these increases is offset by significant price volatility. Price fluctuations require increased back-office management to stay current on pricing and availability. Ongoing and thoughtful curation of merchandise options ensures there continues to be strong value for award winners and people redeeming points.

Overall event gifting spend is relatively flat with significant shifts in how event gifting is executed. While approximately 58% of North American organizations and 54% of European organizations expect their event gifting budgets to increase in 2026, only about 10% in each region anticipate increases that will outpace inflation. The *2025 Incentive Travel Index* reported that reduced per-person spend on event gifting was planners' top cost saving measure. The *Industry Outlook for 2026* also found that per-person spend on event gifting was declining significantly, but per-instance spend on event gifting was increasing. This suggests that organizations are focusing on fewer, higher-value event gifts. Planners are prioritizing valuable, locally sourced gifts that recipients will truly appreciate, coordinating with hotel-provided amenities as a component of the overall gifting experience, and focusing on high-impact gifts.

Tariffs and customs also increase logistical complexity, with 33% of *2025 Incentive Travel Index* respondents reporting that challenges transporting goods across borders have impacted their programs. Many program owners prioritize fulfilling merchandise rewards and gifts in region and in country working with local vendors and DMCs.

Geopolitical Environment Impacts Decision Making

Geopolitical concerns are top of mind across the incentives industry. International instability ranks among the most pressing short-term challenges for incentive professionals, second only to rising costs, according to the *2025 Incentive Travel Index*. Given the current geopolitical environment, incentive professionals are dealing with more uncertainty and complexity, resulting in slower decision making and the need for more robust risk assessment.

Balancing the need for new and creative destinations with increased concerns related to geopolitical factors is making destination selection increasingly difficult. From media coverage to travel alerts, incentive travel planners are navigating both real and perceived threats. They are relying heavily on Destination Marketing Organizations (DMOs) and Destination Management Companies (DMCs) for destination research, resources, and assistance in gaining a realistic and practical understanding of destinations under consideration.

Security has become a top decision-making point in incentive destinations, and the need to have protective services involved earlier in the process has become commonplace. Even after proper destination vetting and planning, incentive travel professionals are managing sudden disruptions. According to the *2025 Incentive Travel Index*, 51% of program owners reported their programs were impacted by last-minute geopolitical or security restrictions. With these levels of uncertainty, scenario planning is becoming an operational discipline, with increased responsibility for foresight and safety falling to incentive travel professionals.

Powerful Partnerships

As expectations of incentive programs soar and programs become more complex, strategic and consistent use of partners will be more vital than ever to the success of incentive programs. According to the *2025 Top Performer Study*, top performing companies rely more heavily on external partners, with 41% in 'strong agreement' that they look to external partners for incentive and recognition expertise, compared to 34% for comparator companies.

Investments in technology signal industry strength and longevity. Top performing companies are more likely than comparator companies to consistently leverage technology. Recognition platforms offer efficiency, consistency, and enterprise-wide access. High-performing companies often use external partners to integrate technology within their recognition and incentive programs. This includes third-party agencies, merchandise and gift card providers, and digital platforms for managing rewards.

Strong external partnerships are increasingly integral to the success of incentive travel programs. The *2025 Incentive Travel Index* reported that 29% of respondents indicated the presence of a good Destination Management Company (DMC) is a destination "must have." This partnership helps maximize opportunities at the destinations, work with trusted local contacts, streamline logistics, and gain access to unique experiences and resources that enhance the overall impact of the program.

While often underused in the incentive market, Destination Marketing Organizations (DMOs) are strong partners for those who do work with them. DMOs assist on a macro level and work with planners towards a common goal of bringing a group into their destination and highlighting the local offerings, from can't miss opportunities to hidden gems. DMOs often have relationships with their local DMCs that enable them to work collectively to highlight the destination. In many cases, a DMO can help offset some of the incentive travel budget strain by offering financial support for site inspections, sponsoring events, providing access to venues, and connecting planners to complimentary or discounted services.

Gift Cards Boost Morale During Tough Times

While flexibility and scalability remain central to the appeal of gift cards, challenging economic times are reshaping how they are used. Their ability to appeal to a wide range of recipients makes them a reliable choice for organizations seeking to recognize and motivate employees and partners.

Gift cards continue to be the most widely used reward across North America and Europe, accounting for 30% and 34% of program allocations, respectively, according to the *IRF Industry Outlook for 2026*. This popularity is expected to continue into 2026. Nearly 70% of North American organizations and just under 60% of European organizations anticipate a moderate or significant increase in gift card use in the coming year, reflecting the reward's enduring appeal and flexibility.

Organizations are increasingly turning to gift cards not just for aspirational rewards, but to provide meaningful, practical value. Recipients are now more likely to redeem gift cards for small indulgences or essential needs, rather than for luxury items. The *IRF Industry Outlook for 2026* reported that the use of dining gift cards (54%) surpassed online-only retailers (50%) which had been the most used branded gift card type by North American respondents for several years. Gift cards for clothing and apparel (48%) also became more popular in 2025. This shift reflects a broader movement toward rewards that support participants' daily lives, especially when budgets are tight and tangible value is top of mind.

Concerns Around Air

As the first and last impression on attendees, air travel has a significant impact on the overall incentive travel experience. Direct air access and capacity are key drivers in destination selection. Considerations around air travel play into broader sustainability issues. As 2026 travel planning is underway, incentive professionals report concerns around flight delays, cancellations, fluctuating prices, and a process that is largely out of the planner's control.

The *2025 Incentive Travel Index* reports that air access can make or break a destination selection decision. Direct air access is the most commonly cited 'must-have' (41%) and difficult air access (40%) was rated the second most significant deterrent. Ground transfer time from airport to the hotel is also factor. Less time in airports and less complexity in travel make the incentive travel experience more appealing.

Given the challenges associated with travel, incentive professionals are finding creative ways to enhance the travel experience. Planners are arranging access to premium airport lounges to elevate the experience as well as have a comfortable option should delays occur. One planner noted they managed challenging access to a remote destination by designing a journey from the airports that included scenic road travel to a restaurant followed by a boat to the resort.

Destinations within shorter distances from participant origin have gained popularity, especially among European respondents who ranked Western Europe and Emerging Europe as the top two destinations in the *2025 Incentive Travel Index*. While ESG is shifting from aspiration to audit, European rail travel is a comfortable, efficient transportation mode that allows for auditable ESG outcomes tied directly to program design and reporting.

Human Interaction in the Age of AI

Incentives industry professionals have embraced artificial intelligence and will navigate how to harness its efficiency while maintaining their own authenticity. According to a 2025 McKinsey Global Survey, more than 75% of organizations now use AI in at least one business function. The incentives industry also has a high rate of adoption, with 93% of *2025 Incentive Travel Index* respondents using ChatGPT alone. Other popular platforms include Microsoft Copilot (74%), and Canva Magic Studio (66%). In an industry centered around human interaction, incentive professionals are learning to be thoughtful about using AI.

As use of AI becomes more widespread, awareness of inauthentic message becomes a concern. AI used poorly, or on autopilot, often removes the human from the equation. As we navigate the increasing mistrust in what is in our email and on our social feeds, the focus is on shifting back to building trust. With this in mind, incentive professionals are sharpening their skills and refining their prompts to use AI to synthesize information, refine messaging, and reflect their authentic voice.

With authenticity and transparency top of mind, incentive professionals see a tremendous upside to the use of AI as a powerful tool to enhance their work. Incentive professionals have increased AI adoption, employing AI to drastically speed up some of the more time-consuming tasks such as survey analysis, data analysis and comparison, souring of locations and gifting, and even suggesting menus that ensure dietary restrictions are met. This efficiency ultimately creates more time to dedicate to those vital person-to-person human interactions.

Incentive professionals continue to determine when to take advantage of these efficiencies and when to rely on the human touch. For example, a chatbot could be an efficient and reliable communication vehicle for a 1,000 person program, but a personal concierge would be necessary for a program of less than 100 people. AI can be used to create departure notices, but staff should be present for personal goodbyes during the departure experience. When partnering with suppliers, AI can accelerate the process of sourcing and creation, but when negotiations begin, a phone conversation may be what solidifies the partnership.

Articulating the Value of Incentive Programs

Incentive professionals are tailoring their metrics and messaging to gain the support of various audiences, including executives, CFOs, CROs, CMOs, and human resources. As the number of stakeholders and decision-makers involved in incentive programs grows, it has become increasingly important for incentive professionals to communicate the value of incentives to achieve cross-departmental buy-in.

According to the IRF *2025 Top Performers Study*, executive support for reward and recognition programs among top performing companies is deeply embedded, with nearly all (99%) reporting strong executive backing. Among top performing companies, 64% rate executive support as 'excellent,' 10% higher than comparators. This support is backed up by budget dollars, with top performing companies spending nearly $3,000 more on top sales trips and $2,000 more on non-travel rewards per salesperson than comparator companies. Executive support also extends to participation in programs, from monitoring leaderboards to actively interacting during incentive travel programs.

While executive support continues to be universally important, a growing number of stakeholders are becoming more engaged, including CFOs, Chief Risk Officers, sales management, and human resources. For example, a channel program typically might include input and review from program administrators, sales, marketing, finance and a c-level executive sponsor. This increase in stakeholder involvement can increase the complexity of review, reporting, and approvals. As a result, incentive professionals are rethinking timelines, spending more time coordinating among stakeholders and building consensus.

For employee programs in particular, there is often a disconnect between incentive travel and broader HR strategy. According to the *2025 Incentive Travel Index*, 35% of end-users report that incentive travel is not at all integrated with HR initiatives, while 24% view it as a core part of their people strategy. Integrating incentive travel programs with the organization's broader human capital or employee experience strategy is an opportunity to both protect programs as well as elevate the role of the incentive professional.

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