

## A Look Forward After Two Years as Chairman

By Frank J. Katusak, Chairman of the Board, The Incentive Federation, Inc.; President, The Incentive Research Foundation



As my two-year term as chairman of the Incentive Federation comes to a close, I look back on the changes that have occurred in our industry and the economy as a way of looking forward. Last fall, we described the commencement of various significant actions by the Incentive Federation to increase its reach and effectiveness as a resource in educating the public and protecting the industry. These actions relate to the expansion of the Federation's governmental role in raising the visibility of

the incentive industry and related fields. As is often the case, the ever-changing political landscape and the worsening economic situation have caused us to modify our approach. Given the movement that has occurred over the past few months, an update on these actions is in order as my successor, Steve Slagle, begins his two-year role as chairman in May 2009.

The Federation's legislative awareness campaign is off and running. The objective is to educate members of the Congress and key departments of the federal government about our marketplace – who we are and what we do. We have been identifying key members of  
*(A Look Forward—continued on page 2)*

## Incentive Travel's Golden Opportunity

By George B. Delta, Esq., Counsel to The Incentive Federation Inc.

The furor over the use of money from the Troubled Assets Release Program (TARP) for incentive travel creates a teachable moment and could actually help the incentive industry showcase its benefits.

Some people simply do not understand or appreciate the power of incentives, motivation and recognition in creating a stronger work force. Others reject the

notion that first-rate workers' efforts should be rewarded. And perhaps others were never recognized for their work accomplishments, or they may work in an environment that places low value on employee engagement and motivation. Such employers do not appreciate individual contributions. In sum, a broad section of the public may simply  
*(Incentive Travel—continued on page 2)*

### News Inside

**When Did Gifts Become Taboo** *page 4*

**Promotional Merchandise Meets the Long Arm of the Law** *page 5*

**Working For You — The Incentive Federation** *page 6*

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For information on becoming a member, contact George Delta at 703/848-7588, or e-mail: [IncentiveFed@cox.net](mailto:IncentiveFed@cox.net).

## A Look Forward

*Continued from page 1*

the Congress and their staffs, and we will use a series of meetings to educate them about the critical role of incentives and motivation for the competitiveness of American business. We also will highlight the size and breadth of the incentive marketplace and its significance to the overall economy, as well as the issues of importance to the Incentive Federation and its members. This effort will also involve meetings with the staffs of the Departments of Treasury and Labor as well as the Office of Management and Budget and the Council of Economic Advisors.

Planning for the various aspects of the legislative awareness campaign has been our major focus over the past several months. During this time, we have seen incentive travel come under serious scrutiny due to the misdeeds of American International Group (AIG), even though incentive travel is totally unrelated to such misdeeds. The president and members of Congress considered enacting legislation that would have prohibited companies that accept government assistance under the Troubled Assets Relief Program (TARP) from using incentive travel programs. As a result, the Federation helped the Society of Incentive and Travel Executives (SITE) spread the message

## Incentive Travel

*Continued from page 1*

see money being wasted when a company seeks to motivate and reward its best employees.

The Society of Incentive & Travel Executives (SITE) and several other travel groups representing the incentive, meeting and event travel market have proposed adopting guidelines that reflect best practices to help businesses, especially those that receive federal bailout funds, in an effort to prove the value of incentive, business meeting and event travel.

The central aspects of the best practice guidelines include the requirement that there be a written business case for any incentive, meeting or event costing more than \$75,000, that incen-

that incentive travel can be an important part of educating, motivating, rewarding and engaging employees. Sweeping generalizations that seek to connect the excesses of executive compensation and incentive travel at AIG to the travel and incentive industries as a whole would cost many innocent people their jobs.

The economic downturn and the increased scrutiny of all manner of incentive and employee recognition programs make our current legislative mission more important and timely than ever. Our legal counsel and staff have been developing a list of key members of the Congress and laying out a process of evaluating their support for the industry. Additionally, we have begun to identify members of the Federation who have existing relationships with members of key committees and who will be able to participate in the meetings to be scheduled. To be effective in those sessions, however, we need to be organized and focused.

We must also have a legislative agenda that serves the needs of our industry and highlights the important role that we can play in helping America get through the economic downturn. Consequently, we are preparing a packet of information to be used in the effort that will include a description of the Federation, a list

tive, meeting and event travel not exceed 15 percent of an organization's total sales and marketing budget, that the amount spent on each person who attends an incentive travel event not exceed 2 percent of the annual compensation of each eligible participant, and that no more than 10 percent of those attending an incentive travel program be senior corporate executives. The model corporate policy that these guidelines reflect is the first step in a publicity campaign designed to combat the growing view among the public and the government that these business tools are just wasteful junkets. (The model policy and best practice guidelines for incentive/recognition travel are shown on page 3.)

By creating an atmosphere in which

of our key issues, a summary of the ambitious research program that the Federation has pursued and supported showing the power and value of incentives, and other materials that will shed a positive light on the Federation and the industry.

The Federation also hopes to host an Incentive Symposium on Capitol Hill in the near future as part of this campaign to educate members of Congress and their staffs about our field and why incentives and motivation are good for their constituents. Additional meetings will be scheduled after the symposium in order to build on the momentum achieved.

We are seeking your help in this ambitious undertaking. If you're interested, please contact us. We have established an Industry Leadership Council (ILC) to help promote our legislative awareness campaign and the incentive industry through fundraising and other efforts. The ILC is in place and is being chaired by Rodger Stotz, Chief Research Officer of the Incentive Research Foundation.

Stay tuned for significant results from these efforts over the next year or two. We anticipate that 2009-2010 will be an eventful time for us. ❖

Frank Katusak can be reached at 212-590-2518 or via e-mail at [f.katusak@TheIRF.org](mailto:f.katusak@TheIRF.org).

the management of companies that run incentive travel programs fear that they will come under severe scrutiny and criticism, the press and elected officials have created a situation in which all incentive travel programs are automatically suspected to be wasteful. SITE CEO Brenda Anderson states that, "These sweeping generalizations connecting the excesses of CEO compensation to the performance improvement industry is costing people their jobs."

Roger Dow, the president and CEO of the U.S. Travel Association (USTA) estimates that the incentive, meetings and event segment of the business travel industry consist of over 2 million jobs, \$244 billion in spending, and nearly \$40 billion dollars in tax revenue.

*(Incentive Travel—continued on page 3)*

## Incentive Travel

*Continued from page 2*

Thus, the USTA, SITE and other groups in the field of travel defend themselves by saying that in this economic downturn it is important that we make every effort to protect beneficial meetings and events, which protect American jobs.

As a result of the attack on incentive travel a number of different business meeting and incentive groups, including SITE, USTA, American Hotel and Lodging Association, Destination Marketing Association International, Meeting Professionals International, National Business Travel Association and Professional Convention Management Association have joined together to combat what they view as common misperceptions about their field of work. They believe that by adopting strict, specific, measurable and transparent standards, they can convince the public, government, and businesses that meet-

ings, events and incentive travel play an important role in creating and enhancing an engaged and motivated workforce.

John Stumpf, the president and CEO of Wells Fargo Bank, is the only executive of a company that has accepted TARP money to have recently defended in public the use of incentive programs. However, even as he was defending such programs verbally, Stumpf cancelled the remainder of his company's meeting and incentive programs for the year. He noted that it did not feel right to cancel Wells Fargo's meeting and incentive programs, and professed his unqualified support for his employees. It is noteworthy that the CEO of one of the best large American banks would defend publicly the incentive and recognition programs that his company has used, because it would have been easier to just let the matter fade from view without comment.

The event that Wells Fargo cancelled was not a corporate junket for company executives, but a four-day business meeting and recognition event for its hard-working employees who had contributed so much to the performance of the bank. As Stumpf said, "In 2008 alone, the team members who were invited to this event and their colleagues produced \$230 billion in mortgage loans for U.S. homeowners." He added that, "We believe our profits actually increase by recognizing and rewarding our best performers in sales and service. Competition to be recognized inspires everyone to work smarter and harder."

A friend of mine who knows that I work in the incentive field recently said rather starkly, "The reward of these people [the Wells Fargo employees] is that they are still employed. Weren't these the people responsible for our current eco-  
*(Incentive Travel—continued on page 6)*

## Model Board Policy for Approval of Meetings, Events and Incentive/Recognition Travel

1. General policy statement: The CEO shall be responsible for implementing adequate controls to assure that meetings, events and incentive/recognition travel organized by the company serve legitimate business purposes and are cost justified.

2. All proposed meetings, events and incentive/recognition travel organized by the company must serve one or more specified legitimate business purposes. Each proposed meeting, event or incentive/recognition travel with a cost exceeding \$75,000 must be supported by a written business case identifying a specific business purpose.

3. Total annual expenses for meetings, events and incentive/recognition travel shall not exceed 15 percent of the company's total sales and marketing spend.

4. The amount spent for an employee performance incentive/recognition event shall not exceed 2 percent of the total compensation of eligible participants or 10 percent of total award earners' compensation.

5. The process for approving meetings, events and incentive/recognition travel, and the procedures for assuring adherence to this policy, will be subject to independent audit to confirm policy adherence.

6. At least 90 percent of incentive program attendees shall be other than senior executives (as defined by applic-

able Treasury Department guidelines) from the host organization.

7. Performance incentives shall not promote excessive or unnecessary risk-taking or manipulation of financial results.

8. All internal meetings or events attended only by senior executives (as defined by applicable Treasury Department guidelines) and/or board members shall be devoted to specific business purposes, and participating senior executives shall be responsible for any expenses incurred for non-business related activities.

9. The CEO of the company shall certify to the board at least annually that the foregoing policies are being followed, and are sufficient to provide reasonable assurance that the company's expenditures for such purposes are not excessive.

10. These policies shall be subject to modification only with board approval stating the specific business rationale for the change in policy.

This model policy is intended for adoption by companies receiving emergency lending from the federal government. If other companies are interested in adopting these guidelines, they may choose to alter metrics based upon industry size, company size and market sector.

# When Did Gifts Become Taboo?

By G. Stephen Slagle, President and CEO, Promotional Products Association International

All associations and companies representing the broad promotional marketplace are challenged to educate the public, government officials, buyers and users about the purposes and effectiveness of our products and services. Defining what our industries represent has always been an exercise in semantics, as promotional merchandise may fit different purposes based on different applications.

More than ever, we need to focus on the roles our promotions have to help businesses with their challenges in motivating, engaging and producing results. Despite our best efforts to describe the effectiveness of incentive travel and merchandise as legitimate ways to advertise, market, communicate, reward and motivate, collectively our products and programs are increasingly viewed as unwarranted gifts, unnecessary extravagancies and even bribes. Yes, that term has been used. Often, it's the focus on the word "gift" that prompts legislators and regulators to scrutinize our industry.

What started in the early 2000s as a debate about conflicts of interest in the healthcare profession evolved into voluntary guidelines developed by the Pharmaceutical Research and Manufacturers Association (PhRMA) governing the interactions of its members with healthcare professionals. The PhRMA voluntary guidelines, also later adopted by the Advanced Medical Technology Association for its members, are serious enough. Running parallel with the PhRMA guidelines are other codes of conduct and best practices being advocated by several Professional Medical Associations (PMAs) such as the American Medical Association.

Driven by the concerns that PMAs have about protecting the integrity of their professions and consumer advocacy groups that want lower healthcare costs, the voluntary codes and guidelines have now morphed into laws and regulations that threaten to ban pro-

motional products and other incentive merchandise from being provided as advertising reminders and brand identifiers. It is this scrutiny that has driven both federal and state legislation to begin including promotional products in their definitions of inappropriate "gifts" and to demand disclosure about the relationships of the manufacturers of drugs, medical devices and medical supplies with healthcare professionals.

*"More than ever, we need to focus on the roles our promotions have to help businesses with their challenges in motivating, engaging and producing results."*

A significant legislative and regulatory issue affecting our industry has spread from the federal level to include legislation proposed in more than a dozen states. Labeled by various names, the state bills require disclosure of payments, gifts, benefits and "transfers of value" made to healthcare professionals. At the federal level the Physician Payments Sunshine Act was introduced this year in the U.S. Senate as S. 301 requiring such disclosures. Its current proposed version does not provide a "de minimis" individual payment threshold as did the legislation considered by Congress in 2008. We would prefer to see language inserted that provides disclosure for "a transfer of anything of value that exceeds \$25." That additional language would give some relief from an otherwise onerous regulation.

As feared, some of the proposed laws and regulations not only require disclosure, but also outright prohibitions, compliance requirements and penalties for failure to comply. The bottom line for our industry is that we are caught in the wake of the call for more stringent regulation of the healthcare industry, and there is little

regard for the fact that our industry stands to lose \$1 billion or more in sales as a result.

Hundreds of PPAI members and others in the incentive field have been harmed significantly by lost sales, jobs and even businesses as a result of the guidelines' bans on our products. In particular, the suppliers of writing instruments and notepad products have been hit the hardest, at an especially

difficult period when our national economy is in a deep recession. Hundreds of PPAI members and others in the incentive field responded to our call to action by contacting their legislators beginning in late January to oppose the Physician Payments Sunshine Act as proposed; hundreds more have written or called their state legislators to oppose various state actions. Our Web site ([www.capwiz.com/ppa/home](http://www.capwiz.com/ppa/home)) has information on the legislation and instructions on how to contact members of Congress to have your voice heard on these issues.

The entire incentive field needs your help. Hearing from a constituent is a powerful incentive for our elected leaders to pause, consider their actions, and to learn more about the consequences of the laws and regulations they propose to enact. There are some easy and appropriate ways to cut through the clutter of messages reaching Congress. We ask that you take the time to do so and weigh in on the important issues that may help determine whether our industries and businesses survive. It is that drastic and it is that important. ❖

# Promotional Merchandise Meets the Long Arm of the Law

By G. Stephen Slagle, President and CEO, Promotional Products Association International

If you have been trying to keep up with all of the new product safety rules coming out of Washington, D.C., you know how busy our federal lawmakers have been over the past few months. In August 2008, Congress signed into law the Consumer Product Safety Improvement Act of 2008 (CPSIA). At its heart, this law is designed to ensure that children's toys and childcare products are safe. In addition, it is intended to streamline the recall process to efficiently remove unsafe products from the marketplace. In that spirit, it is difficult for anyone to oppose the intent of the law. The challenge we have with the CPSIA is in its implementation.

There is a tremendous amount of fluidity surrounding specifics of the CPSIA. In some cases, the details of the law are fully understood only as we hit certain deadlines, which results in stays of enforcement, exemptions and exclusions, or reversals of decisions regarding the sale and distribution of products in inventory. All of these issues present challenges to our industry in staying abreast of the rules and trying to manage inventory while remaining within the confines of the law.

## Do The CPSIA Rules Apply To Your Products?

One of the first questions posed by promotional products professionals when confronted by the specifics of CPSIA compliance is whether it applies to his or her product. There are two key questions you need to ask yourself regardless of the type of promotional product you produce:

- 1) Is it a children's product?
- 2) Is it currently subject to existing CPSC rules, bans or regulations?

In determining whether an item is a children's product, consider the following factors:

- Is there a manufacturers' statement regarding the intended use of the product, including a product label?

- Is the product represented in its packaging, display, promotion or advertising as appropriate for use by children 12 years of age or younger?

- Is the product commonly recognized by consumers as being intended for use by a child 12 or younger?

- Does the product fall under any of the age determination guidelines issued by the CPSC staff in September 2002 or successors to those guidelines?

If the item is a children's product, it's essential that you familiarize yourself with the testing and certification requirements detailed in the CPSIA law. Among other things, it lays out specific limits regarding lead content in children's products.

Even if you review the item and determine that it is clearly not a children's product, you may still need to comply with this new law. Going back to our earlier question, you must ask yourself, is this product subject to existing CPSC rules, bans and regulations? The authors of this bill did not limit themselves solely to children's products. Instead, when looking at product safety in general, they added specific clauses to enforce and add teeth to existing product safety rules and regulations.

If a product is determined to be subject to a federal consumer product safety rule, ban, standard, or regulation under any act enforced by the CPSC, the manufacturer or importer must certify that the product meets or is in conformance with those rules by issuing a General Conformity Certificate (GCC). Sample GCCs can be found on the CPSC Web site as well as the PPAI website. GCCs do not require third-party testing. Rather, they are documentation that your product is in compliance with existing regulations and that you have some sort of testing process in place (a "reasonable testing program") to ensure that products adhere to all existing product safety requirements.

It is worth noting that despite the one-year stay of enforcement on third-party testing, effective August 14, 2009, the manufacturer of a children's product shall place permanent, distinguishing marks on the product and its packaging, to the extent practicable, that will enable:

- The manufacturer to ascertain the location and date of production of the product, cohort information (including the batch, run number or other identifying characteristic) and any other information determined by the manufacturer to facilitate ascertaining the specific source of the product by reference to those marks

- The ultimate purchaser to ascertain the manufacturer or private labeler, location and date of production of the product and cohort information (including the batch, run number or other identifying characteristic)

As of April 2009, the CPSC is still determining the manner in which it will enforce the tracking label provision of the law. PPAI has submitted comments to the CPSC and PPAI representatives met with CPSC staff and attorneys in March to share concerns specific to our industry.

While PPAI can provide general guidance and advice through our relationship with the CPSC, our testing lab consultant and our contacts in Washington, it is not possible to have all the answers, as many of them do not yet exist. However, this law is a reality, and there are penalties for failure to comply. The best advice for the short term is to keep an eye out for the updates. PPAI will issue updates as they become available, continue a monthly webinar series that addresses various nuances of this law, and continue to update the PPAI product safety page, which offers the most up-to-date information available on this issue. Please visit [www.ppa.org/member/productsafety.aspx](http://www.ppa.org/member/productsafety.aspx) for additional information. ❖

## Incentive Travel

Continued from page 3

conomic mess?" While such comments may be harsh, they reflect the current economic environment and also create an opportunity for the incentive field to educate the public, government and business that incentives work. There is considerable research and case studies that show that a properly structured incentive or recognition program offers a return on investment that far exceeds the cost of the program. After all, it would be difficult to argue with research showing that happy and motivated employees are the best business resource of all. This may be the best time to demonstrate to skeptics the power of incentives and motivation.

As an initial matter, SITE and its fellow travel industry partners have made considerable headway in convincing Congress that meetings, events and incentive travel are not wasteful. Indeed, in a colloquy on the floor of the House of Representatives, Rep. Shelley Berkley (D-NV) and Rep. Barney Frank

(D-MA), chairman of the Financial Services Committee, clearly articulate that meetings, events and incentive travel would not be restricted by pending TARP legislation. Rep. Frank went as far as to state that the legislation will specifically allow incentives based on performance. In the past few weeks, the criticism of incentive travel has abated somewhat, and media coverage of the travel industry has been more balanced. In addition, legislative efforts to curb the use of incentive travel have stalled.

These developments are encouraging for those involved in the incentive travel field, but the damage has not yet been undone. A great deal of incentive travel and the events that go with it have been canceled, and many more are not taking place as businesses await a better economic and political environment before using this important business and motivational tool.

The current economic retrenchment has hurt many businesses across a variety of industries. Yet, the economic climate may also give the entire incentive

field an excellent opportunity to re-introduce itself to members of Congress. In this regard, the Incentive Federation is planning to meet with key legislators and members of the executive branch to deliver our message that incentives work. The incentive industry is a vital part of business solutions that drive productivity, improve worker retention, and create a more engaged and motivated work force. Our goal is to continue to educate our government regarding size and breadth of the industry and its significance to the economy as a whole. This legislative outreach program is an undertaking of great magnitude, and we welcome your help and participation. All of us need to continue to speak to the media, write editorials, and communicate our message that, far from being a problem, we are part of the solution in helping to pull America out of this economic downturn. ❖

George Delta can be reached at [gdelta@garyreg.com](mailto:gdelta@garyreg.com), or by calling 703/848-2828.

## Working for You — The Incentive Federation

The Incentive Federation, Inc. was founded in 1984 and is the alliance organization for the incentive industry representing the national trade associations, the trade publications and the national trade shows. In this position, it is responsible for all aspects of incentive marketing including merchandise, travel and services. Originally founded as the government affairs voice of the incentive field, the Federation continues to lobby state

and federal governments and agencies to protect our business. In addition, the Federation is responsible for incentive research projects and manages the Incentive Performance Center (IPC).

For additional information about The Incentive Federation Inc., including IPC details, please contact George Delta at [gdelta@garyreg.com](mailto:gdelta@garyreg.com) and view our Web site at [www.IncentiveCentral.org](http://www.IncentiveCentral.org).

**Board Members** of The Incentive Federation include:

G. Stephen Slagle, **Chairman** — Promotional Products Association International, [steves@ppai.org](mailto:steves@ppai.org)

Mike Landry, **Vice-chairman, Corporations** — Tumi Inc., [mlandry@tumi.com](mailto:mlandry@tumi.com)

Karen Renk, **First vice-chairman, Associations** — Incentive Marketing Association, [Karen@incentivemarketing.org](mailto:Karen@incentivemarketing.org)

Allison Summers, **Second vice-chairman, Associations** — International SITE Foundation, [Allison\\_Summers@site-intl.org](mailto:Allison_Summers@site-intl.org)

Frank Katusak, **Third vice-chairman, Associations** — The Incentive Research Foundation, [f.katusak@theIRF.org](mailto:f.katusak@theIRF.org)

Tom Renk, **Fourth vice-chairman, Associations** — Recognition Professionals International, [tomrenk@recognition.org](mailto:tomrenk@recognition.org)

Bonnie J. Carlson, **Fifth vice-chairman, Associations** — Promotion Marketing Association, [bcarlson@pmlink.com](mailto:bcarlson@pmlink.com)

Norma Jean Knollenberg, **Secretary** — Top Brands, Inc., [norma@top-brands.com](mailto:norma@top-brands.com)

James Shomonta, **Treasurer** — JRS Sales Associates, [jrsassoc@aol.com](mailto:jrsassoc@aol.com)

George Delta, Esq., **Executive Director and General Counsel** — [gdelta@garyreg.com](mailto:gdelta@garyreg.com)

**Directors:**

Gregory Canose, Award Marketing Services Inc., [greg@amsreps.com](mailto:greg@amsreps.com)

Peter H. Erickson, Hall-Erickson Inc., [perickson@heexpo.com](mailto:perickson@heexpo.com)

Peter Hart, Rideau Recognition solutions, [PeterHart@Rideau.com](mailto:PeterHart@Rideau.com)

Don Jagoda, Don Jagoda Associates, [djagoda@dja.com](mailto:djagoda@dja.com)

Michelle Smith, O.C. Tanner, [michelle.smith@octanner.com](mailto:michelle.smith@octanner.com)

Nella Veldran, Nielsen Business Media,

[Nella.veldran@nielsen.com](mailto:Nella.veldran@nielsen.com)