re:Work

Wegmans: Understanding how employees value their benefits

Challenge

Healthcare costs were rising and Wegmans didn't know how employees valued their benefits.

Action

A conjoint analysis helped Wegmans understand the relative values employees put on benefits.

Results

Wegmans was able to control healthcare costs without reducing employee satisfaction.

Challenge

Wegmans Food Markets, a leading supermarket chain across New England and the Mid-Atlantic, needed to reassess their employee healthcare benefits. In 2007, the company was expanding rapidly into new markets, opening new stores, and hiring hundreds of new employees. At the same time, their healthcare costs were skyrocketing. Wegmans wanted to understand how their employees comparatively valued different parts of the company's overall benefits offerings, including their healthcare plan, so they could manage costs while also improving employee satisfaction with their benefits plan.

Action

Wegmans commissioned a two-part **conjoint analysis (https://en.wikipedia.org/wiki/Conjoint_analysis)** conducted by **CEB (http://www.cebglobal.com/exbd/workforce-surveys-analytics/solutions/total-rewards-optimization/index.page)**, a best practice insight and technology company, to determine why employees join and stay at the company, and how employees value different parts of their healthcare program.

Traditionally used by marketers, a conjoint analysis goes beyond a simple employee satisfaction survey, and provides insight into the relative preferences of employees given a variety of options and benefits. During a conjoint analysis, respondents are presented with sequential pairs of products and services and asked to indicate preference between them. By asking people to consider multiple items and compare between many permutations of the offerings, the company is then able to stack rank relative preferences from a long list of items. These implicit valuations can be used to inform better decision making when managing trade-offs.

Wegmans ran their survey over two weeks in 17 high-volume, successful stores and saw a 76% response rate from a randomly selected sample of 1,310 employees that was statistically representative of their population. At the time, Wegmans had 71 stores with 34,000 employees. Wegmans partnered with a non-competing grocery chain who also wanted to learn the same things about their own employees. The two chains split the development costs and benchmarked their results together. This allowed them to better understand the unique and common preferences of their own employees.

Wegmans developed a communication strategy for explaining the goals of the analysis to employees:

1. First, Wegmans briefed store managers and staff on the survey process and goals and then sent those managers printed survey invitations to distribute to the selected sampling of employees. Since most Wegmans employees don't have a Wegmans email account, this was the easiest distribution method in the stores.

2. CEB conducted a teleconference to educate store managers and select employee representatives on the best ways to troubleshoot and triage potential employee questions about the survey.

3. Finally, these employee representatives contacted each participating employee to walk them through the survey instructions and to answer any questions. Participating employees took the survey online using a computer provided to them.

The conjoint analysis presented two types of questions regarding healthcare:

- **Satisfaction questions** identified any systemic differences in engagement and satisfaction between employees working in existing markets and those working in new ones. A question might ask employees to rank how satisfied or dissatisfied they are with the health benefits provided by Wegmans from a set of choices ranging from "very highly dissatisfied" to "very highly satisfied."

- **Trade-off questions** assessed how employees perceived the value of their total rewards. These questions asked respondents to choose between two or more hypothetical "packages" consisting of varying levels of employment attributes such as healthcare and compensation. For example, asking them to choose between a 5% base pay increase combined with lower health insurance deductibles versus a simple 10% base-pay increase in the alternative. Employees were asked to rank these options by order of preference for each item.

Results

Both the satisfaction and trade-off questions demonstrated that employees valued health benefits as a deciding factor for both joining and staying at the company. In particular, the conjoint analysis revealed that offering even basic healthcare coverage to employees who were not currently eligible would drive significant incremental value due to how highly employees regarded healthcare benefits. The analysis indicated that a $107 investment per non-eligible employee would cost $1.5 million but would feel like $32.5 million to the employees.

Surprisingly, Wegmans noticed that base pay was ranked at the bottom of both of these lists in terms of perceived employee value. Another interesting finding was, when asked whether they wanted a lower deductible or lower premium, employees were more willing to pay more per paycheck to have lower overall liability.