

# BY THE NUMBERS:

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Which Employees Use Purchase Programs  
and Why



Giving Employees A Better Way To Buy

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## **The Power Behind the Purchase Series**

A Purchasing Power White Paper

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# Book



Book 2 in the  
**Power Behind the Purchase Series**  
A Purchasing Power White Paper  
June 2012

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### Which Employees Use Purchase Programs and Why

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## EXECUTIVE SUMMARY

Even as the economy continues to make modest strides, consumers have yet to feel the positive impacts in their wallets. In fact, research shows that many households, still have a negative net worth. About one in five U.S. households owes more on credit cards, medical bills, student loans and other unsecured debt than they have in savings, checking accounts and other liquid assets.<sup>1</sup>

Over the last several years, consumers - your employees - have worked diligently to pay down credit card, mortgage and other debt. Total mortgage and other consumer liabilities have fallen from a record 123 percent of disposable income in late 2007 to 105 percent in the Fourth Quarter of 2011.<sup>2</sup> But, clearly, many are still struggling to manage their debt.

With food and gas prices continuing to rise, consumers are either digging into their savings or pulling their credit cards back out to cope. Credit card balances have been slowly creeping up. In March of 2012 alone, consumer credit increased at an annual rate of 10.2 percent.<sup>3</sup> While some spike is expected after the holidays, many experts think higher credit card balances could also reflect previously suppressed demand for much-needed or aging household items, such as home appliances or computers.

Voluntary benefits are one way employers can help ease fiscal stress and help employees get back on firmer financial footing. Employee purchase programs, in particular, have proven to be viable, cost-effective alternatives to other consumer purchase plans, such as employer discounts, layaway, rent-to-own and even credit cards, as savvy shoppers make more informed decisions about their household purchases.

This discussion, the second in the "Power Behind the Purchase Series" of white papers, specifically explores which workers use employee purchase programs and why. The paper also examines their current purchasing tendencies as well as events and trends that will impact usage of employee purchase programs in the future.

## MORE COMPANIES ARE OFFERING EMPLOYEE PURCHASE PROGRAMS

Overall the downturn in the economy has increased employee interest in workplace benefits. In fact, nearly half of all employees (49 percent) say that because of the economy they are counting on their employers' benefit program to help with their financial needs.<sup>4</sup>

Benefits such as auto and homeowner's insurance, along with supplemental life and disability insurance, are common voluntary benefits that help address employees' financial needs. But other non-traditional voluntary benefits such as group legal plans, financial planning, and employee purchase programs are growing in popularity as viable financial-support tools.

More than one-third (35 percent) of consumers are still struggling to pay their monthly bills either sometimes, often or always.<sup>5</sup> As employees continue to toil, many overlook and, consequently, find themselves unprepared financially to make necessary or unexpected major purchases. Whether buying a computer for a child going off to college, purchasing bedroom furniture for a growing family or replacing a refrigerator that can no longer be repaired, many people are simply not in a position to buy.

Employee purchase programs represent a more tangible benefit with an immediate payoff. Employees can purchase needed or life-enhancing household items such as computers, software, home appliances, electronics and furniture from recognized brands and manufacturers. Employee purchase programs help workers secure these types of products through an employer-sponsored payroll deduction program.

In a recent consumer survey, 37 percent of people working full time said they would be "at least somewhat likely" to use employee purchase programs for major purchases.<sup>6</sup>

Purchase programs are advantageous to the employee because they offer easy qualification, in which employees generally must be 18 years old and meet minimum salary and tenure requirements. All-inclusive prices include the product, value-added features, taxes where applicable and delivery. Most employee purchase programs have no financing fee or ballooning interest. Unlike a credit card, the payment term in a payroll deduction program is fixed over the course of 12 months. Many employees who have participated in such programs admit to not even missing the money, simply because it is taken directly out of their paychecks. The process is pain-free, and the tangible benefit is almost immediate (as soon the employee orders and receives his or her product).

The number of companies offering employee purchase programs is growing. In the last several years, employers have started to gain a better understanding of their workers' overall financial needs. Seventeen percent of companies currently offer an employee purchase program, however, another 30 percent of employers who do not offer this benefit now believe their employees would have financial difficulty making major purchases.<sup>7</sup>

"It's an extra benefit that costs the employer nothing but provides a great option to the employee," said Dale Smith, Senior Benefits Consultant, Summit Safeguard. "Many employers know that their people are struggling and this program provides them with the option of purchasing products without the expense of rent-to-own or other high interest programs."

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Employee purchase programs allow employers to offer a low-cost, easy-to-administer benefit that helps make benefits packages more unique and competitive. From their perspective, HR professionals like today's purchase programs, first and foremost, because they enhance their benefits packages (67 percent say), followed by the fact that there are minimal administration costs and no employer liability (44 percent say).<sup>8</sup>

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Employee purchase programs have evolved into more robust, hassle-free benefit offerings - and ones that appeal to very distinct groups within the workforce

## EMPLOYEE PURCHASE PROGRAMS AT DIFFERENT LIFE STAGES FOR DIFFERENT REASONS

Diversity in the workplace is increasing every day in every organization. That means people of different age, sex, race, religion and culture are coming together to work for the same company. Plus, changing family dynamics, from blended households to those negatively impacted by the recent recession, will also produce segments in the workplace with specific work-life balance needs.

As a result, it is becoming more important for employers to be aware of these changes and know how to meet the benefit needs of a more diverse workforce.

In January 2012, Purchasing Power and Harris Interactive conducted the industry's first survey to gain a better understanding of which workers are using employee purchase programs, and when and what products they have a propensity to buy. The demographic details follow.

### Age

Many Gen Xers experienced the 1987 stock market crash just as they were starting careers, bought houses at the peak of the real estate bubble and then took the brunt of the recent recession. Gen X is also destined to be the first generation faced with a new "retirement landscape" - one without the guarantee of pensions and/or Social Security.

The outlook for Gen Yers does not look much better. In fact, predictions indicate this generation will be the first in more than a century that is unlikely to be better off financially than their parents. Only about one-fourth of Gen Yers expect things to be easier for them than the previous generation.<sup>9</sup>

So, it comes as no surprise that younger workers are most likely to use employee purchase programs. Forty-four percent of employees age 18-34 are at least somewhat likely to use purchase programs, while 38 percent of those age 35-44 show the same propensity for use.<sup>10</sup>

With technology ingrained in their DNA, workers from both these generations are big purchasers of computers and electronics. And, since many are striking out on their own for the first time or deciding to start a family, they also tend to purchase more home appliances and furniture than their older colleagues.<sup>11</sup>

### Marital Status

For the first time in history, married couples are close to becoming the minority in the United States. Just 51 percent of all adults who are 18 and older are married.<sup>12</sup> According to the U.S. Census Bureau, many are waiting longer to tie the knot these days.<sup>13</sup> Singles are comfortable focusing first on building their careers and establishing themselves in order to bring more stability to a future marriage.

According to the Harris Interactive survey, singles (those who have never been married) are the workers most likely to use employee purchase programs. While they tend to spend their purchase dollars on electronic gadgets, computers, or fitness and recreation equipment, their married counterparts are more likely to out-purchase them on furniture, appliances and vacations.<sup>14</sup>

It is interesting to note that employed survey respondents who are divorced, separated or widowed are the least interested in using purchase programs. This is a group with a high likelihood of experiencing fiscal problems due to issues such as a reduction in household income, new financial obligations, or a change in marital and property assets.

## **Gender**

Women are bringing about sweeping changes in both the consumer and business marketplace. They are entering the workforce at a whirlwind pace. With more choices today, women are delaying marriage to focus on both their education and career paths.

Women are projected to account for 51.2 percent of the increase in total labor force growth between 2008 and 2018.<sup>15</sup> Women control 73 percent of spending within their households, which equates to approximately \$4 trillion in annual discretionary spending. Furthermore, women are more likely than men to control daily expenditures in more than half of middle- and upper-class households.<sup>16</sup>

This decision-making clout carries over to employee purchase programs as well. Forty-two percent of females say they are likely to use an employee purchase program versus 38 percent of males.<sup>17</sup> Although males will be more apt to purchase items such as computers, electronics, furniture, appliances, etc. in the next 12 months, a female will, more than likely, be the driving force behind that purchase decision.

With the economy making positive strides and more people finding jobs, one would think household income would improve. In reality, today's workers are bringing home less money now than when the recession began.

Median household income was \$50,020 in January 2012, 7.8 percent less than it was when the economic downturn began in December 2007 and 5.4 percent less than it was when the recovery began in June 2009.<sup>18</sup>

Because most of the newly created jobs are lower-paying and wages have remained relatively stagnant, American workers are still struggling to get ahead financially. With limited income, Americans are looking for options to make those much-needed purchases.

Workers with incomes less than \$35,000 are most likely to use employee purchase programs if they were available to them. However, once a company begins offering this benefit, the majority (65 percent) of those with incomes between \$35,000 and \$49,900 become the real power users.<sup>19</sup>



Electronics, computers and furniture are the top-three items these power users are most likely to purchase.

### **Presence of Children**

According to the United States Department of Agriculture's most recent report, for a child born in 2010, a middle-income, two-parent family can expect to spend almost \$227,000 for the necessities needed to raise that child (not including the cost of the pregnancy, childbirth or college). Factor in inflation and parents are looking at a grand total of approximately \$287,000. <sup>20</sup>

A look at the latest figures for college shows this year's estimated \$22,300 total price (including tuition, room, board, books, and fees) for the average public college takes nearly a third of the annual income of a typical family with college-aged kids. At private colleges, the average asking price of \$43,500 is equal to about 60 percent of that family's pay. <sup>21</sup>

Raising a child is expensive, but incorporating better money management techniques can give parents more financial choices and keep them less stressed about the family's budget as well as their children's future.

The likelihood of workers using employee purchase programs goes up with the size of their household, holding especially true for families with children ages 6 to 12. Having children drives up the need for electronics to keep them entertained; computers to give them a resource for school work; and appliances, such as washers and dryers, to keep the household operating efficiently. <sup>22</sup>

You have no idea how you made our Christmas be able to happen to help us keep up with society's electronic world. I was able to put my hubby's and son's gifts on there so I can pay it with payroll deductions instead of a high interest credit card, or upfront cash. So thank you very much for keeping the payment at a low deduction because I already have huge amounts being deducted from my check, including family medical insurance, life insurance, taxes, dental and 401(k) loan.

Female Minnesota Customer, posted on Facebook January, 2012

## COMPANIES KNOW THEIR WORKERS, RECOGNIZE FINANCIAL NEEDS

Purchasing Power has been helping companies address employees' financial needs since 2001. Examples of successful benefits deployments of employee purchase programs with two Fortune 500 companies involving Purchasing Power are described below.

### **Case Study 1: 41,000-Employee, Fortune 500 Company Providing Kidney Care**

#### THE SYNOPSIS

Eligible Employees: 27,500

Orders taken: 3,650 (as of December 31, 2011)

Annual Penetration: 13.27%

Repeat Buyers: 63%

#### THE NEED

This leading health care provider wanted to offer an employee purchase program to its employees with the option of payroll deduction for ease and convenience.

#### THE SOLUTION

In January 2011, the company rolled out its employee purchase program, giving workers access to brand-new, current-line products from many recognized computer and home appliance manufacturers.

#### THE RESULTS

Employees benefit by paying for products through payroll deduction, making it more manageable and convenient for them to make major purchases. The company establishes goodwill among its workforce by offering a financial benefit that makes much-needed household purchases more affordable.

Of the employees participating in the program, approximately 78 percent purchased computers and 20 percent bought appliances.

### **Case Study 2: 65,400-Employee, Fortune 500 Health Care Management Company**

#### THE SYNOPSIS

Eligible Employees: 38,720

Orders taken: 8,608 (as of December 31, 2011)

Annual Penetration: 8.11%

Repeat Buyers: 68%

#### THE NEED

This long-recognized health care management company wanted to add a tangible benefit that would make a difference to their employee group - and one that could be offered seamlessly through payroll deduction.

#### THE SOLUTION

In July 2008, the company initiated an employee purchase program to provide all full-time workers with the ability to purchase computers, laptops and tablets as well as the peripherals that accompany these devices, such as monitors, printers, etc.

#### THE RESULTS

Employees benefit by getting access to brand-new, current-model computer systems for personal use and/or their child's education. The company is able to centralize offers and easily manage this much-needed benefit with little to no administration.

## EMPLOYEE PURCHASE PROGRAMS PROVIDE A MEANINGFUL BENEFIT

Although employee purchase programs are designed to meet the needs of a diverse workforce, it is important to understand the make-up of the power user to truly determine if this benefit will be valued - and used - within an organization. Below is a demographic snapshot of “who” that employee might be:

- 35-44 years old
- Married
- Female
- Mid-income
- At least one child in the household

It is also important to note how workers engage with employee purchase programs. Approximately 32 percent of workers have used these programs at least once during the course of two years, and another 65 percent have used them two or more times in the same time frame, with the average order over \$1,000.

An employee purchase program is a year - round benefit, but there are very distinct buying seasons for certain products. Outside of the holiday buying season that typically occurs in November, fitness and recreation products are popular during January (as people make their New Year’s resolutions); outdoor equipment and furniture purchases usually hit highs during April (in anticipation of summer); and purchases for computers and electronics peak during August (as children head back to school).<sup>24</sup>

By 2050, the American workforce will be heavily populated with three generations: Gen Xers, Millennials (Gen Yers) and Gen Z, the multi-tasking iGeneration.<sup>25</sup> In preparation, forward-thinking employers are shedding the traditional concept that one benefits package fits all and, instead, are offering plans that are more meaningful to an individual based on where he or she is in life. Employee purchase programs certainly fit into that strategy.



## ABOUT PURCHASING POWER

Headquartered in Atlanta, GA, Purchasing Power, LLC was founded in 2001 and offers customers an alternative to purchase a variety of name brand products and pay for them over 12 months through payroll deduction. Purchasing Power differentiates itself from traditional e-commerce retailers through its unique payment plan value proposition, strategic benefit broker partnerships, internal marketing expertise and superior customer service. The company has serviced more than 700,000 orders for employees of companies and organizations including Fortune 500 and government agencies. For more information, visit [www.PurchasingPower.com](http://www.PurchasingPower.com).

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### Methodology

This survey was conducted online within the United States between January 25th and 27th, 2012 among 2,099 adults (aged 18 and over) by Harris Interactive on behalf of Purchasing Power, LLC via its Quick Query omnibus product. Figures for age, sex, race/ethnicity, education, region and household income were weighted, where necessary, to bring them into line with their actual proportions in the population. Propensity score weighting was used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in the Harris Interactive panel, no estimates of theoretical sampling error can be calculated.

