

THE POWER OF EMPLOYEE PURCHASE PROGRAMS:

The Next Generation of Voluntary Benefits



Giving Employees A Better Way To Buy

The Power Behind the Purchase Series
A Purchasing Power White Paper

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Book



Book 1 in the
**Power Behind
the Purchase Series**

A Purchasing Power Whitepaper
April 2012

The Power of Employee Purchase Programs: The Next Generation of Voluntary Benefits

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EXECUTIVE SUMMARY

Even as the economy continues on a steady course to right itself, the recession's lingering effects are still impacting workers with varied financial consequences. As a result, the workplace continues to gain steam as a go-to source to boost financial safety nets, from access to personal insurance to the purchase of household products to receipt of professional financial advice.

Three in 10 workers say the importance of the workplace as a valuable source for personal insurance and savings products has increased greatly. Almost half (47 percent) report some level of increase in importance. Those more likely to see increasing value in the workplace tend to be younger—those under 35—and have a lower household income (under \$50,000).¹

With this mind, employees are certainly looking at benefits differently today. The new benefits landscape is forcing employees to become more informed and engaged so they can improve their own financial health along with their physical health—now and into the future.

While the economy may be on the mend, employers still find themselves in a difficult spot. Managing benefits costs is certainly a focus, but HR professionals must also be able to offer a truly competitive benefits package if they are to successfully retain and rejuvenate existing employees, in addition to recruiting quality candidates in an improving marketplace.

Voluntary benefits give companies a much-needed boost to their total rewards packages, but more HR professionals are beginning to incorporate non-traditional voluntary offerings. This augments core benefits and appeal to a diverse range of employees, with little or no additional cost to the employer and minimum administration needed.

Many non-traditional voluntary offerings, such as employee purchase programs, provide workers with immediate tangible benefits. This further increases their appeal as they can be used year-round to obtain something that an employee needs, rather than many core benefits that employees only appreciate when they are sick or injured.

“An employee purchase program is an extra benefit that costs the employer nothing, but provides a great option for employees,” said Dale Smith, Senior Benefits Consultant, Summit Safeguard. “Many employers know that their workers are struggling, and this type of program provides them with the option of purchasing a variety of different products at a reasonable price without the expense of rent-to-own or other high-interest plans.”

This discussion, the first in “The Power Behind the Purchase” series of white papers, examines the rise of employee purchase programs as a popular, much-needed voluntary benefit—how and why both employers and employees are using these programs and the benefits each group derives. HR professionals will also learn about the future opportunities and challenges associated with employee purchase programs as well as new products, features and services that may be on the horizon. Additionally, readers will discover how well these programs resonate with younger employees who are now flooding the workforce and how this type of benefit will make an impact on them as many don't have the financial footing and opportunities previous working generations have had.

CREDIT CARDS ARE STILL KING AS EMPLOYEES STRUGGLE FINANCIALLY

Companies are analyzing benefits more closely than ever, reviewing every related expense and eliminating those that are especially costly and bring little value to the lives of employees.

But, determining value depends on benefits being relevant to employees' specific personal needs. This often requires employers to take a closer look at the make-up of their workforces and the economic realities their workers face.

Nearly all workers were affected by the recession. How employees were impacted financially often depended on where they were in their life stages. Nevertheless, household budgets across America took a direct hit—and are still recovering—whether employees had families with children, were Baby Boomers getting ready to retire, or Gen Ys just starting their careers.

During the last several years, employers have experienced just how much financial stress affects productivity, in addition to impacting physical health. Fifty-eight percent of employers say that financial “illness” contributes to employee absences at their companies, and an amazing 78 percent agree that worry about personal financial problems while at work distracts employees to the point that they are less productive.² In fact, 27 percent of employees admit they took off unplanned time and/or were distracted at work dealing with personal financial issues, a trend especially true for younger workers.³ However, **94 percent of Purchasing Power customers agree or somewhat agree that having access to Purchasing Power helps to reduce their financial pressures and stress.**⁴

As employees struggle to meet monthly financial obligations, many often overlook and are left unprepared to make necessary or unexpected major purchases, whether it is 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.

In a recent Harris Poll, when employees were asked how likely they were to purchase a certain set of products in the next 12 months, computers (53 percent), furniture (49 percent) and appliances (46 percent) were cited as “at least somewhat likely” needs.⁵

But just how are employees planning to make these types of purchases? Surprisingly, 60 percent said they will probably use credit cards, even though many are more than likely still working to pay them off.⁶ Of households that have credit card debt, the average credit card debt is estimated at \$15,799.⁷ **Scary!**

Thirty-seven percent of employees also said they would be “at least somewhat likely” to use employee purchase programs for major purchases.⁸ Purchasing programs deployed as voluntary benefits through employers and facilitated through payroll deductions offer eligible workers the ability to buy brand-new, current-line products from many recognized computer, electronics, home appliances and furniture manufacturers.

“It has benefited my family quite a bit because it has allowed me to purchase the items that I need on a timely basis by using allotments,” said Carla Hardy, Purchasing Power customer. “Purchasing Power just gives you better options. It’s a great tool to have.”

Interest in employee purchase programs definitely exists among employees, but because these benefits are deployed through the workplace, not having access to this type of program is an issue that prevents many workers from using them. Almost three-quarters (74 percent) of employees say they do not have access to an employee purchase program at work.⁹

EMPLOYEE PURCHASE PROGRAMS HAVE EVOLVED INTO ROBUST, HASSLE-FREE BENEFITS

For what appears to be a “no-brainer” for companies, only 17 percent currently offer an employee purchase program. It is interesting to note that 30 percent of employers who do not offer this benefit believe their employees would have financial difficulty making these types of major purchases.¹⁰

A general lack of knowledge seems to exist among employers about these programs, along with a number of misconceptions that have persisted from the early days of corporate discount computer programs. These programs exposed employers to unwanted liability and administration, as employees typically were expected to pay for products upfront.

But times have changed. Employee purchase programs have evolved into more robust, hassle-free benefit offerings which should interest the majority of employers who say purchase programs without liability or implementation fees and minimal administration costs would appeal to them.¹¹

Offered as a non-traditional voluntary offering, 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. Employee purchase programs help workers secure these types of products through an employer-sponsored payroll deduction program.

Purchase programs are advantageous to the employee because they involve easy qualification: employees simply must be 18 years old and meet minimum salary and tenure requirements. The 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. The tangible benefit is almost immediate (as soon the employee orders and receives his or her product).

Employee purchase programs allow employers to offer a low-cost, easy to administer benefit that helps make benefits packages more unique and competitive.

“From an operational perspective, as far as my staff and our hospital is concerned, we do very, very little,” said Eileen Brown, Director, Recruitment & Benefits, Valley Baptist Healthcare System. “Purchasing Power really takes the burden of most of the work.”

According to a recent article in the Atlanta Journal-Constitution, DeKalb County Commissioner Elaine Boyer had this to say about the value of employee purchase programs, “We can’t give [employees] raises, we’ve raised their insurance, and if you can’t replace your washer and dryer, you don’t know what kind of trouble that is. I think this is something for our employees.”¹²

COMPANIES AND EMPLOYEES EQUALLY BENEFIT FROM PURCHASE PROGRAMS

HR professionals currently offering employee purchase programs at their companies are split on reasons they do so. Forty-four percent offer this benefit because it was requested by employees, and 44 percent do it because they feel it helps fill financial gaps for workers during tough economic times.¹³ This reasoning falls in line with what employers said about voluntary benefits in general. Approximately two-fifths (42 percent) offer voluntary benefits to fulfill an employee need and 30 percent offer them because they were requested.¹⁴

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 is minimal administration costs and no employer liability (44 percent say).¹⁵

On the other hand, **workers cite the following as the top-three most important benefits they get from their employee purchase programs:**

- **57 percent** can access products they otherwise could not afford;
- **51 percent** can implement a more disciplined budget; and
- **46 percent** can be more productive at work.¹⁶

Employees also note that these programs help reduce stress; balance work-life; and further their careers or those of other family members.

There were a number of different factors that appealed to workers in regard to today’s purchase programs. These across-the-board findings are more reflective of the how the recovering economy is affecting households differently.

These are purchase programs’ most attractive features consistently cited by employees:

- | | |
|------------------------------|----------------------------------|
| • Payroll deduction | (49 percent) |
| • Immediately get products | (47 percent) |
| • Easy qualification | (44 percent) |
| • No high interest rate | (39 percent) |
| • No late fees | (38 percent) |
| • No down payment | (36 percent) |
| • Short-term payment plan | (35 percent) |
| • Simple shopping experience | (32 percent)¹⁷ |

Of those employees who have access to purchase programs at work, almost a quarter (23 percent) say they have taken advantage of this benefit two to three times in the last two years. However, almost half (46 percent) have never used the program.

Their reasons? Thirty-four percent say they have not needed to make major purchases, but research cited earlier in this paper shows many are. They are just choosing to pay for them by credit card. Almost a quarter (22 percent) say their programs do not offer any products they like or need.¹⁸ Those employers, most likely, are not offering the most up-to-date, innovative purchase programs available. The most robust employee purchase programs provide a myriad of manufacturers that furnish a well-rounded set of products, from electronics to furniture to fitness and recreation equipment.

“I think that the ability to purchase big ticket items, whether it’s flat screen televisions, computers and be able to do it through payroll deduction, allows employees who are certainly budget conscious to not have to buy something all at once,” said William Pryor, Senior VP of Human Resources, Cape Fear Valley Health System. “The quality of products that we see on the website for Purchasing Power are excellent.”

And, that list of products is destined to grow as employers look for even more benefits that resonate with employees. Future products employers would like to see offered through employee purchase programs include vacation packages and educational products, such as online classes and tutors.¹⁹ This seems to be on track with employees’ needs as well. Forty-six percent of workers said they would be “at least somewhat likely” to purchase vacation packages in the next 12 months while 36 percent would be considering educational opportunities.²⁰

EDUCATION AND COMMUNICATION: KEYS TO LONG-TERM VALUE OF EMPLOYEE PURCHASE PROGRAMS

Employees will continue to turn to the workplace for benefits and their financial safety nets due in large part to the choice, cost savings and convenience this channel offers them. Generally speaking, voluntary benefits provide employees with products and services that they could not buy from another source or at rates lower than if they purchased them on their own. Employee purchase programs, in particular, have proven to be viable, cost-effective alternatives to other consumer purchase plans, such as rent-to-own, as savvy shoppers make more informed decisions about their household purchases.

“A purchase program is an extraordinary voluntary benefit that gives employees an alternative avenue to obtain goods that are important in their everyday lives,” said Michael R. Walters, executive vice president of marketing, The Excellence Benefit Group. “It gives them a way to leverage their cash or credit within a budget.”

It’s important to keep in mind that a company can offer the best benefits in the marketplace, but unless its employees understand how those benefits work and what value they bring, then those benefits are most likely underappreciated and underused. Education and communication are essential in making benefits a competitive advantage, and employee purchase programs are no different.

HR professionals who previously offered employee purchase programs—but no longer do so—said they chose to discontinue the benefit because only a small percentage of workers used it, noting that many forgot it was available after they already made a major purchase.²¹ That means educating workers on the benefits of employee purchase programs and developing ongoing communications in regard to when and how they can use this benefit throughout the year will be essential in helping them understand the true financial value of this offering.

“Purchasing Power provides all the marketing materials to me, and it’s very easy,” said Eileen Brown, Director, Recruitment & Benefits, Valley Baptist Healthcare System. “Statistically, I believe we are about 15%, 16% utilization, which is a very high utilization rate for any kind of voluntary benefit. We are really happy with that. It’s something that our employees, I think, will just continue to use.”

And, with Generation Y projected to account for nearly half of all employees worldwide by 2015,²² communication with this group will be vital as they will most likely be more financially hindered than previous working generations. 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 Ys expect things to be easier for them than the previous generation.²³

Employers simply cannot afford to ignore Gen Y workers—or any other employees who might be struggling financially. Financially secure employees are more productive workers. Providing employees with the power of purchase puts companies well on their way to building a solid foundation of financial wellness for their workforce.

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.

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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.