



The Definitive Guide to *Employee Discount & Purchase Programs*

What's available and why they are
here to stay

The Buying Benefits Series
A Purchasing Power Report



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A Smart Move in an Employee Benefits Strategy

Employees are looking for more than just a paycheck. Benefits influence employee satisfaction as well. Employees have indicated they want to be able to choose benefits that are important to them, even if it means paying for such benefits. This has led to the rise in popularity of voluntary benefits, particularly the non-traditional ones.

Today's employee benefits offerings make a strong impact on an employer's recruitment and retention efforts. To meet the multi-generational and diversity needs of an organization's workforce, employers must offer a variety of voluntary benefits which aren't one-size-fits-all. The latest benefit trends study from MetLife shows that the greatest employee satisfaction is found at companies that offer 11 or more benefits.¹

The Impact of Financial Stress

Much has been said about employees' financial stress. Although the economy has improved, employees still struggle financially. LIMRA reports that 82 percent of Americans are carrying debt and that four in 10 have no rainy day savings and are not saving for retirement.² The 2015 Consumer Financial Literacy Survey shows 70 percent of U.S. adults have financial worries.³

As a result, employees are distracted at work, performing personal financial tasks while on the clock and taking more sick days. That means their job performance suffers.

Productivity can be significantly affected when an employee isn't focused on his or her job during the workday. Financial stress doesn't just affect the employee. It's a big drain on the employer as well.

In a survey performed by the American Psychological Association, money has topped Americans' list of stressors every year since 2007.⁴



Numbers Tell the Story

Listening to what employees say defines their current financial status and how it impacts their productivity at work. Employees working full-time surveyed recently through a Harris Poll⁵ say that:



82%

Have financial stress

- 17 percent have a great deal or quite a bit of stress;
- 22 percent have a fair amount of stress; and
- 43 percent have some stress.



34%

Have had trouble meeting monthly household expenses, like rent/mortgage, car payments, cable bills and credit card bills

- 13 percent have trouble always or often; and
- 21 percent have trouble sometimes.



30%

Were not able to make all the major purchases that they or their family wanted/needed in the past year.



40%

Don't have at least \$2,000 in emergency savings for unexpected expenses such as a car breaking down, a refrigerator needing replacing or an unexpected health emergency that may occur.



37%

Spend an average of 2 hours per week at work thinking about or dealing with their personal finances.⁵

As employers realize the impact that financial stress has on employee productivity and well-being, they are increasingly searching to relieve that stress with the addition of various financial wellness options to their employee benefits programs.

Among those are financial education and financial counseling benefits as well as offering programs that allow employees to obtain products and services at a discount or purchase them through a payroll deduction program.

Types of Employee Discount and Purchase Programs

Three different types of programs – **merchant discount; employee discount and employee purchase program** – play an important role in today's benefits strategy. All provide a means for employees to obtain items and services of their choosing. Some are available at discounts, which employees use cash or credit cards to pay for, while others can be financed through payroll deduction, an important convenience for those with cash flow or credit issues. Either way, there is little or no direct cost to employers and very minimal, if any, administrative costs.

Merchant Discounts

Manufacturers and service providers frequently provide discounts for employees of large companies. The process is simple. When the employee or member decides to purchase this item or service, they simply identify their employer at the point of purchase and receive the specified discount.

Types of merchant discounts include:

- Computers and electronics;
- Hotels, resorts and amusement parks;
- Rental cars;
- Home and auto insurance; and
- Mobile phone service.

Most merchant discounts are from large, national manufacturers or service providers with recognizable brands. However, many government organizations and colleges obtain discounts from local sources as well, including apartment rental, restaurants and local retail stores.

Employee Discount Programs

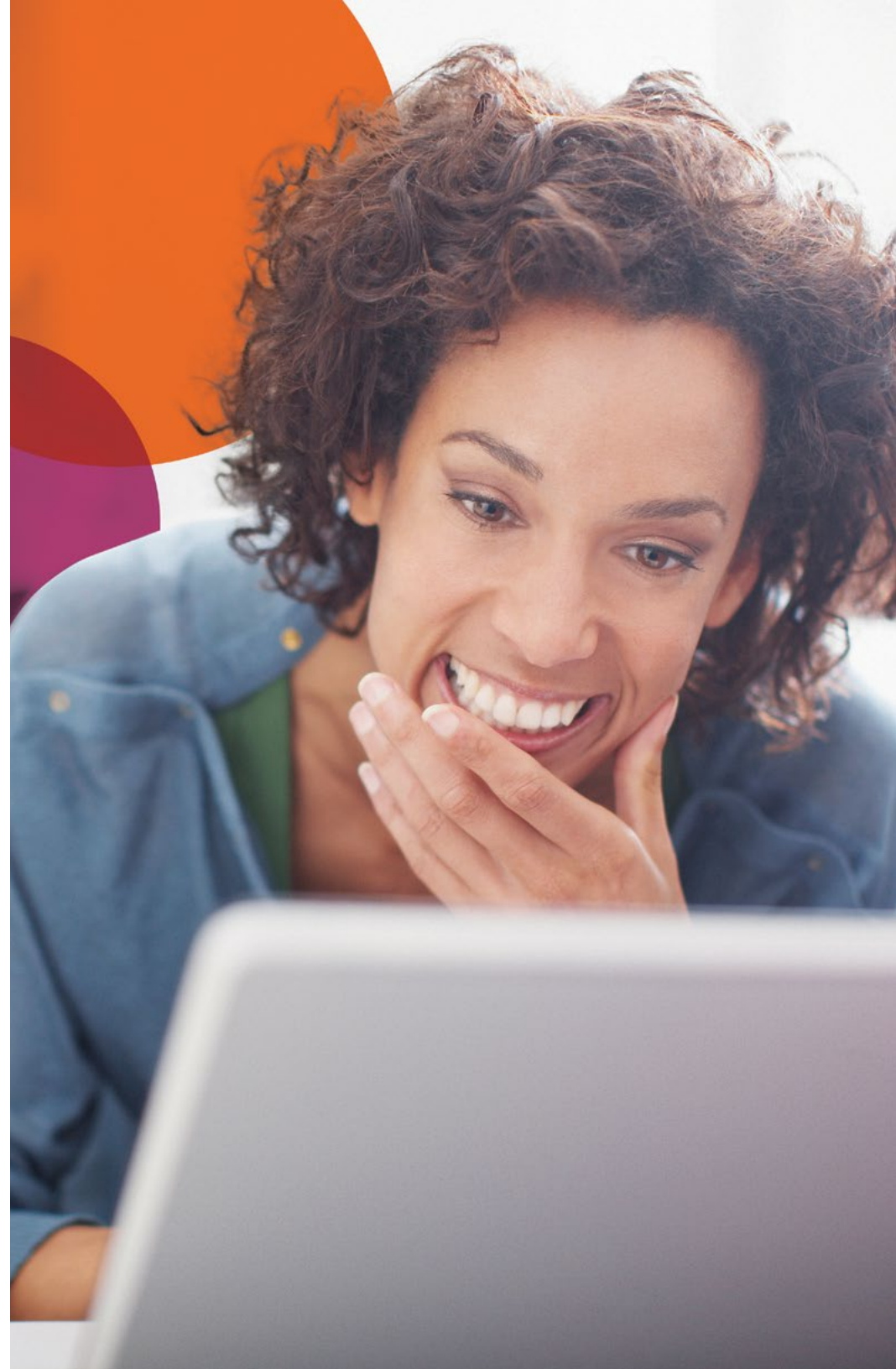
Employee discount programs provide workers access to a wide variety of consumer products and services at a discount. Employers can either contract directly with vendors and merchants to obtain discounts and group rates for employees, or they can engage the services of an employee discount program via an online platform.

Several companies provide these online platforms whereby employees simply log in to the platform's portal to access discounts on items and services from a multitude of companies. The platforms negotiate contracts with the various vendors, so employers don't need to be involved.

There is usually a nominal fee to employers to engage a platform company, but beyond that there is little effort. Many even offer the option to brand the platform with your logo and style and usually offer tools to spread the word about the program to employees. Employee discount programs offer a variety of products and services, depending on the company. These include:

- Hotels and vacation destinations;
- Consumer goods and services;
- Movie tickets/rentals;
- Entertainment and sporting event tickets;
- Auto parts and cars;
- Home services, such as cable and alarm;
- Personal services;
- Beauty and spa treatments; and
- Financial services.

Discounts available can range from well-known brands to local eateries.





Employee Purchase Programs

An employee purchase program provides employees a responsible, convenient way to buy products and services and pay over time on an interest-free basis through payroll deduction. As a voluntary benefit, employers can provide it as a low- or no-cost addition to the employee benefits strategy.

Employee purchase programs help improve employees' financial wellness. Some employees may be ineligible or unable to participate in important benefit offerings like tuition assistance, education and wellness benefits, so they need an alternative way to access those products and services. Others may be using their retirement savings to pay for big-ticket purchases. An employee purchase program can help close the gaps in the employee benefits strategy by giving employees greater financial flexibility and a way to buy items that are typically out of reach.

A premier employee purchase program offers thousands of premium, brand-name products and services, including:

- Computers and electronics
- Furniture and appliances
- Educational services, including tutoring, test prep services, college courses, career diplomas
- Travel packages
- Toys, baby and kid products
- Sports and fitness equipment
- Automotive services

Who Uses the Three Types of Programs?

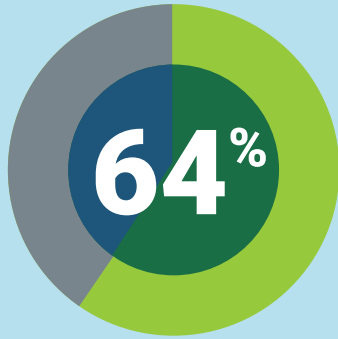
The three types of programs are popular with employees for a variety of different reasons, depending on type, because they can:

- receive discounts on items they are likely to purchase anyway, such as mobile phone service, sporting and entertainment tickets, hotel stays, etc.;
- purchase conveniently through payroll deduction;
- shop online without having to go to a retail store or other location; or
- buy items through a disciplined payment program that they couldn't otherwise obtain because of poor credit.

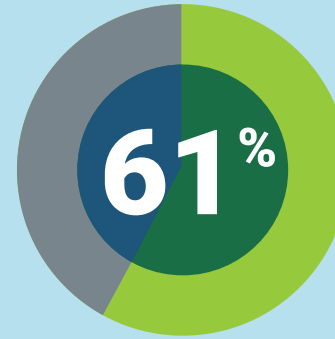
Here's how Purchasing Power helps employees decide which kind of program is best for them:

Merchant Discount or Employee Discount Program	Employee Purchase Program
Do you have the cash to purchase directly from a retailer?	Do you need to save cash to make a much-needed purchase?
Do you make purchases using your credit card and pay off the balance immediately?	When you make purchases using your credit card, do you make the minimum payment?
If you were to apply for store credit, do you think you would get approved?	If you were to apply for store credit, do you think you would have difficulty getting approved?
<i>Employees who answer yes to these questions are cash buyers. Discount programs are best for them.</i>	<i>Employees who answer yes to these questions need to pay over time for big-ticket purchases. Purchase programs are best for them.</i>

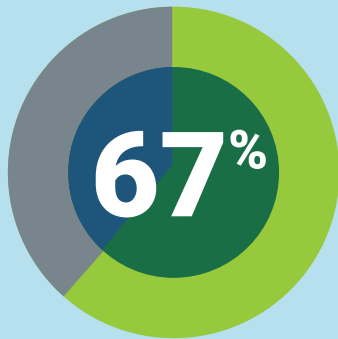
According to a study on employee purchase programs, employees were asked how likely they were to use these different programs.



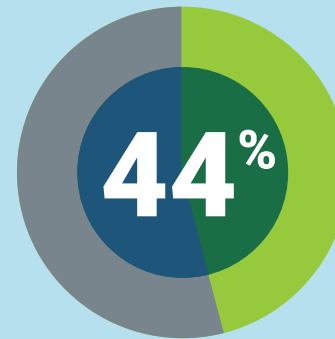
very/somewhat likely to use merchant discount programs.



very/somewhat likely to use employee discount programs available in their organization's HR office.



very/somewhat likely to use employee discount programs through an online portal.



very/somewhat likely to use an employee purchase program that allowed them to buy big-ticket items through payroll deduction.

Interestingly, the average user of an employee purchase program is not the low-income employee. Purchasing Power's average user is a married female, age 30-39, with a household income of \$50,000 - \$74,999. Even more, Purchasing Power sees those with household incomes of \$100,000+ use the program for its convenience and ability to budget in a disciplined manner⁸.



Meet AMBER, a typical user for an employee purchase program

Amber needs to buy a refrigerator because her current one has broken down. She has few options. She's low on cash and her credit score is below prime. These are her options:

- a subprime credit card or in-store financing with high interest rates;
- a payday loan with finance charges that typically equate to 400 percent APR⁷;
- a rent-to-own store with annual interest rates equated to 100 percent⁸; or
- a withdrawal from her retirement savings.

By using an employee purchase program, Amber can get her new refrigerator and pay for it through payroll deduction without the pitfalls of traditional credit options.



The Future of Employee Discount and Purchase Programs

There is no question that employee discount and purchase programs are here to stay. They continue to grow immensely with new products and services constantly being added to all three types. Adding discount and purchase programs gives employers a more competitive employee benefits strategy.

Employee discount and purchase programs are a valuable voluntary benefit to offer because they are low- or no-cost to the employer while providing a great value to employees. Because they increase the employee's buying power – but do so on a disciplined budgeting basis – they are well-received by workers. Employees can have the means to replace the broken refrigerator, fund college prep classes for their children or buy much-needed tires for the car. They might even buy the big-screen TV for the family that they have been wanting, because they can do so in a financially-responsible manner. In addition to helping relieve employee financial stress, they also make for a valuable employee perk.

Employees say having access to employee discount and purchase programs can create, and increase, their loyalty to their employer. In fact, 49 percent of employees responding to the Harris Poll reported that employee purchase programs had a lot or some influence on making them a loyal employee.⁹

About Purchasing Power, LLC

Purchasing Power makes everyday life affordable by giving employees access to thousands of products and services today that they can comfortably pay for over time, interest-free and without credit approval. Effortless to administer, this financial flexibility benefit gives employees more control of their finances for peace of mind at home and on the job. Learn more by visiting Corp.PurchasingPower.com

References

- 1 MetLife's 13th Annual U.S. Employee Benefit Trends Study, May 2015.
- 2 Employee Benefit Adviser, "The Voluntary Benefit That's Addressing a Major Employee Concern," Mike Nesper, Oct.14, 2015.
- 3 National Foundation for Credit Counseling, "2018 Financial Literacy Survey," March 2018.
- 4 PwC, 2017 Employee Financial Wellness Survey, April 2017.
- 5 American Psychological Association, "Stress in America," Jan. 24, 2018

Methodology

The 2015 Harris Poll survey on behalf of Purchasing Power, was conducted online within the U.S. from June 12-16, among 937 adults who are employed full-time or whose spouse is employed full-time. This online survey is not based on a probability sample and, therefore, no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Reva Harris at b2bmarketing@purchasingpower.com.



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