

# EMPLOYEE DISCOUNTS HAVE EARNED THEIR PLACE IN YOUR BENEFITS STRATEGY.

## Discounts are no longer a 'nice to have'. They are base camp.

### A look at what's changed

In the employee discounts field over the last three or four years, just about everything.

- Competition in retailing – online or high street – is such that the ability of even a very large employer to negotiate a meaningful saving on a product or service for their employees has dwindled to the point where many such offerings have become irrelevant. '2-for-1', 'get 3 months' free', '20% off' are all standard fare for the individual purchaser. Five years ago, Employee Benefits magazine found that "employers may well have begun to recognise that it is increasingly difficult to beat ever-changing deals on the high street or over the internet."<sup>1</sup> This is certainly the case now. Insurance policies available to civil servants, for example, used to beat the rate available to the rest of us, partly because insurance companies wanted careful civil servants as customers and partly due to the size of the customer base an insurer could access by doing a deal with the employing body. With the commodity nature of insurance, comparison sites and sophisticated market segmentation, that advantage has gone.
- Technology. Obviously. Both the delivery of the offer to an employee, such as SMS text discount vouchers or Cashback for online shopping, and the means of communicating benefits to employees have changed and continue to develop. Two years ago the idea of an employee standing in Comet and phoning up their employee discounts provider for a code to be sent to their mobile to get 10% off (including sale prices) - well, it still sounds fanciful but it is very much alive and delivering huge value to employers and employees.

White Paper. Helen Craik, Director of HR Policy & Strategy

- The business models of benefits providers have diverged into those which are fully funded by retailers looking to use employers as a sales channel, those which mix supplier funding with retailer funding and those that are entirely employer-funded and independent of retailers. Employers need to be clear about what they are buying. 'Who's selling what to your employees?' takes a closer look at this topic.<sup>2</sup>
- Uncertain economic times in the recent past, the likes of which are likely to continue for some time, has put significant pressure on employers to make the most of their reward budget. Cash is a very expensive way to reward people. Good strategic and operational use of benefits and recognition schemes deliver excellent return on investment.
- The employer brand and employee expectations; doing justice to both needs a really credible scheme and a robust, flexible, secure platform to build on.

## Why is a good discounts scheme so important to a benefits strategy?

Employee discounts can be bought for a few pounds per employee per year<sup>3</sup>. A non-contributory final salary pension scheme, an extra week's holiday or private medical cover cannot. These and other high-value, high-cost benefits will often be restricted to certain groups of employees. No employee is going to use them on a daily basis or be reminded of the value every time they go shopping. They also do not provide a branded, user-friendly information portal which employers can use to advise employees about other benefits, cross-

<sup>1</sup> Employee Benefits Magazine Survey May 2005

<sup>2</sup> Asperity White Paper May 2010. See [www.asperity.co.uk/whitepapers](http://www.asperity.co.uk/whitepapers) or email [benefits@asperity](mailto:benefits@asperity) to request a copy.

<sup>3</sup> Plus one-off set-up fee; example quoted from Asperity Employee Benefits Reward Gateway scheme

promote tax-efficient schemes, run long-service and recognition programmes, all the while underlining the non-cash aspects of the psychological contract.

Employee discounts used to be 'nice to have', more to do with box-ticking or a legacy scheme being in place rather than a key part of the reward strategy. Web 2.0 functionality and the full integration of voluntary benefits now means that discounts are the ideal platform for everything else. Everyone needs to shop. Every employee can save money on everyday goods and services. So every employee has a reason to visit the discounts website or phone the scheme helpdesk, use the offers and engage with the wider employment package and the employer brand. No other mechanism has this power so easily, effectively and cheaply to reach a workforce. Discounts are an excellent base camp for the whole reward and recognition range.

## Real offers, well communicated

Once the decision is taken to have or update an employee discount scheme, the next question is what should it look like to make it relevant and deliver return of investment. It needs to work with the employer's internal branding, reflecting a high-quality image and place the organisation at the leading edge of benefits thinking.

The crucial factors in making an employee discount scheme attractive are choice and value<sup>4</sup>. Employers need to look for a scheme which offers multiple choice of retailers to their employees whether it's for groceries or mobiles. Furthermore, the deals on a discount scheme have to offer something more than is easily available to the general public. Think of the plethora of offers available for flights or mobiles; employees expect a discount scheme to provide the best of those and a saving in addition. So a good deal on hotels at lastminute.com is on the website for any consumer but 10% Cashback comes with the discount scheme. Similarly, walk into the store for half price on a B&Q kitchen, but you need a discount scheme for an extra 10% off with discounted vouchers.

The best schemes offer the choice of hundreds of suppliers, including the sites and names employees recognise and shop with anyway for their routine purchases. The discounts work on top of sale

prices. The employee gets to use any retailer-specific loyalty cards they might have in addition to the employee discount. It's not an either/or, it's both.

## A real alternative for employers

A discount scheme also offers a more-than-halfway house for employers who can't offer employer-paid or subsidised benefits such as gym membership, private medical insurance or cashplans, or who want to provide a good range of voluntary benefits without the complexity and expense of a full flexible benefits scheme. Funding high-cost benefits directly may be a financial step too far but providing an easily accessible, decent choice of discounted options is an excellent alternative. Employers can provide discounted gym membership, childcare vouchers, a cash plan, cycle to work and retail vouchers by salary sacrifice all in an integrated voluntary benefits plan. And also provide a choice of savings on insurances, breakdown cover and other essentials, led by everyday discounts.

For employers, it is also necessary to understand "what extra administration burden will be placed on the business or HR function"<sup>5</sup>. If there is such a burden, find another provider. Good scheme organisers make HR's life easier not more complicated. In the last three or four years, the relevance of a good discounts scheme has been sharply proven, with employers looking to make their total reward spend deliver the best value, and employees needing to make disposable income go further than ever.

## Discounts are definitely not the 'also ran' of benefits

A decent employee discount scheme is cheap, easy and popular. It is the best platform for employee benefits, either as a stand-alone or as part of an integrated, much wider portfolio, a genuine alternative to full flex. Never mind 'also ran', think best in breed. ■

<sup>4</sup> 62% of employer respondents say it is important that products are cheaper than on the high street.

<sup>5</sup> Employee Rewards and Benefits Magazine July 2006

**About Asperity** | Asperity Employee Benefits provides integrated voluntary benefits to over 300 organisations in the UK and Ireland. With employee discounts as the core module, Asperity also provides childcare vouchers, cycle to work, employee-paid healthcare cashplans, total reward statements and reward and recognition programmes.

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