



A Marketing Approach to Human Resources

**Treating Employees Like Consumers:
How the Use of Common Marketing Tools Can Increase
Employee Satisfaction While Reducing Costs**

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How the Use of Common Marketing Tools Can Increase Employee Satisfaction While Reducing Costs

Many of our colleagues in human resources are now starting to see their roles as similar to those in the sales and marketing group down the corporate hallway. In many aspects, leaders in human resources are responsible for managing a complex “product” comprising culture, environment and reward elements — each element having different cost/value drivers, communication channel needs, process and delivery components, varying preferences across segments, and even “shelf life” (flexible spending accounts for instance). To guide the strategic development of the employee value proposition, many in HR are now starting to embrace the same sort of tools used for decades by marketing.

Applying the Marketing Model to HR

Like marketers, organizations seek to attract and retain customers — employee “customers” — often in an extremely competitive environment. Talent can enable or constrain competitive success, and as the war for talent intensifies, whether from changing demographics or critical-talent shortages, more importance will be placed on acquiring and retaining critical people. As in marketing, the concept is to create an employee value proposition that best satisfies the needs of the workforce (the customer) and is aligned with the strategic objectives of the organization. Although not a “sale” in terms of an overt and conscious decision by the employee to “buy” (join/stay with) the company, the “sale” is reflected in other ways, such as in engagement metrics, reduced attrition, lower employee acquisition costs, and improved productivity.

How can leading HR organizations address the needs of their employees and ensure that sufficient value is offered *by* their employees?

Listening to Your Employees

Our colleagues in marketing know how important it is to continuously collect consumer feedback in the form of market research. Insights from market research help business leaders shape product and communication strategies by instilling fact-based, decision making processes instead of relying solely on intuition.

Many organizations conduct biennial employee surveys that provide feedback on employee engagement, satisfaction, and attitude and can identify the key drivers behind each of these metrics. However, many of these studies are ill-suited to help guide decision making on how to allocate limited total reward dollars to address the needs of both the employee and the organization. Additionally, with voluntary turnover in the United States exceeding 23% (U.S. Dept. of Labor, Bureau of Labor Statistics, for the period ending 08/2006), statistically this means that possibly half of a company’s employees weren’t even on the payroll when the last survey was taken.

Companies do not wait two years for customer feedback about their products. In many ways, the employee customer requires as much attention as the revenue-generating customer. To provide this level of attention, it is crucial that an employer go directly to its workforce and listen to its employees, and do so on a regular, and even continuous, basis to identify value misalignments.

Identifying Value Misalignments

If an employee customer puts a significantly lower value on a particular company benefit than on other reward components, there is a misalignment in perceived value.

There are two root causes for these value misalignments. The first is that the employer too often relies on “industry” data when selecting a particular reward for inclusion in the employer’s benefits offering without clearly understanding what its own employees want out of their total rewards package. For instance, one company saw data suggesting that providing employees with legal assistance would be highly valued and would help make the employer more competitive among job seekers. But after two years of expense and administration, internal survey

and usage data clearly showed that employees valued this benefit the least of those provided — and by a large margin. It just didn't fit this employer and this workgroup. The money being spent on this benefit was being wasted and could have been spent more effectively by directing those dollars elsewhere.

The second cause for value misalignments is a bit more complex. It could arise from a lack of awareness, a lack of understanding, or both. With the complexity and wide range of benefit choices today, it is hardly surprising that employees fail to understand exactly what their employers are offering in their benefit packages. At annual enrollment time, employees are faced with the task of making complex benefit choices from the various savings and retirement vehicles, consumer-directed health care options, and complicated copays and deductibles — choices that they may not fully understand.

While consumers generally value choices, in the world of employee benefit plans, we see employees who are overwhelmed and under-informed. The result is often a suboptimal choice, benefiting neither employee nor employer. It is important, then, that the company survey or focus group approach be constructed to yield specific data that identifies both the misalignment and the level of understanding of various benefit components so that the underlying cause of misalignment can be addressed. In many instances, the value misalignment caused by a lack of understanding can be effectively corrected with a communication strategy.

The benefit to the organization that takes the time to understand these elements can take different forms — and can be substantial. First, there is the prospect of finding undervalued benefit dollars that can be pocketed or applied to other rewards. Additionally, where a particular benefit is highly valued, there is the possibility of obtaining additional contributions from the employee customer without affecting satisfaction — similar to asking retail consumers to pay more for a higher-value product. Finally, it is possible to see benefits administration savings (fewer questions about benefits) and lower attrition (resulting in reduced costs and greater productivity).

Employee feedback that is quantitative and actionable will help the employer find the right combination of contribution and satisfaction. These value misalignments can easily be identified by leveraging many of the same tools long used by our colleagues in marketing (such as preference measurement and conjoint analysis). Ultimately, this allows the organization to make decisions with confidence and based on facts.

Achieving Continuous Improvement

When companies apply Lean and Six Sigma disciplines to the processes, systems and activities that produce its products and services, speed, efficiency and quality often are the results. Continuous improvement is not just a goal, but an ongoing process that is part of the very fabric of the enterprise, and it should apply to the HR department as well.

So How Does Listening to Employees Feed Continuous Improvement in HR Activities?

First, a quantifiable understanding of employee customer value drivers allows an employer to see and respond to changes in reward dynamics and make decisions about how to best address any misalignments. For example, there could be an increasing gap between the choices made by older and younger employees with regard to health care and savings/investment options. In addition, the balance between health and wealth concerns has now become very important, as a more holistic approach is being taken regarding how employee customers want their benefit dollars used.

Simply reflecting demographics in reward offerings will not lead to higher satisfaction numbers. Whenever possible, employers should seek preference data that, when combined with demographics, shows a path to effective alignment. This is similar to another frequently used tool in the marketing toolkit — segmentation.

Segmentation is the process of grouping consumers with similar needs — identifying little clusters of consumers where preferences and needs are similar within the group but are different across groups. Marketers know that the needs and preferences of different consumer groups vary. By understanding these differences, marketers can

either design product to address the unique needs of a specific group or communicate a product's benefits differently to different audiences. As an example of the former, consider how General Motors has different lines of automobiles: Cadillac is designed for one group, Pontiac for another. As an example of the latter, consider Procter and Gamble laundry detergent: one product whose advertising is tailored to different audiences. There is an unlimited number of alternative approaches to segmentation, but a key consideration is to produce segments that are actionable.

Second, if executed properly, the activity of asking for feedback, in itself, promotes a feeling of connection and employer concern among employee customers. In many cases, plain-vanilla response choices, such as "satisfied," "somewhat satisfied," "dissatisfied," etc., are poorly designed questions. These responses have no depth, and they are not useful in indicating the effect of remedial action if taken.

For example, if your company's matching 401(k) contribution moves from 3% to 4%, you won't see how many respondents (if any) move from "somewhat satisfied" to "satisfied" until another survey is done. Even then, you won't know if a move to, say, 3.5%, would have had the same effect. Separately, if multiple changes are being implemented at the same time, such as changing the 401(k) match, the life insurance amount, the vision coverage amount, and copay levels, it is difficult to isolate the individual effect of each.

Additionally, it is difficult to measure the satisfaction and preferences for new-to-the-world features that might come in two distinct forms: either as an extension of an existing benefit (for example, moving from 5x annual salary life insurance toward 10x annual salary life insurance) or the introduction of an entirely new benefit (for example, pet insurance or wine club membership).

Also, it is important to include controversial subjects. If your company has closed its defined benefit plan and now has only a defined contribution plan, gathering quantifying feedback from employees in this area will help you gauge the depth of dissatisfaction and attrition risk. Again, choose survey tools that let you understand, both qualitatively and quantitatively, the employee customer's preferences.

Finally, it is important to seek feedback on a regular basis. Many companies seem reluctant to do so, and this reluctance stems from experience with surveys that were long, complicated (often covering a multitude of subjects and with poor completion/response rates), and expensive to administer. However, by using some of today's new technology, valuable feedback can be obtained that requires only a few minutes of the employee's time and can yield actionable insights without asking dozens of questions. Perhaps most important, the employee must have a sense that the questions are "really about me." Our survey work has shown us that if people are asked for thoughtful and meaningful feedback on subjects central to their working lives, they will not only respond honestly and completely, but they will be willing to do so frequently.

Summary

Extensive research has shown that only about half of the workforce in America is actively engaged and that employee dissatisfaction is on the rise (particularly in the first year of employment). Seeking periodic feedback from employees about their wants and needs may be the most sincere indication of management interest and concern. Whether it is marketing or now HR, relevant and actionable data drives your enterprise forward and helps leaders make better decisions — decisions supported by data. Consistently listening to employees and measuring their preferences will promote employee satisfaction and help manage rising benefit costs, creating the classical win-win relationship for both employees and employers.

About the Authors

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