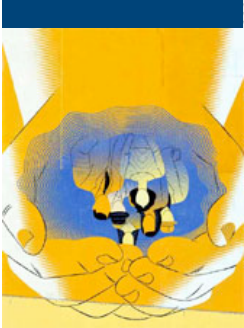


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Different Views
 Drive Results



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Feature

Different Views Drive Results

Using data to drive employee action and reduce costs

Employers have long recognized that one size does not fit all when it comes to HR and benefits design, delivery, and communication. For years, flexible benefit programs have been offered to provide employees with benefit choices that best fit their individual needs.

Today, the Internet and advanced data-management capabilities enable companies to increase the level of personalization. Just as marketers have used data-based market segmentation to target and motivate specific groups of consumers to purchase their products, employers now have the opportunity to use data-based employee segmentation to drive HR strategies and deliver business results.

"As a society, we've grown to expect the personalization of Amazon.com in all areas of our lives, and as a result, it's grown more difficult for companies to get through to employees without a personalized approach," explains Ray Baumruk, who leads Hewitt's employee research efforts. "Employee segmentation has the potential to do for employee benefits what Amazon did for the selling of books and music. We're moving toward a personalized, one-to-one relationship with employees with the end goal of having employees feel as if the organization is speaking directly to them and taking steps to make their individual lives easier."

Technology and data make this kind of sophisticated segmentation possible. While HR has always had a wealth of employee data in its care, it's been too difficult or costly to aggregate it into a useful form.

Employers can now slice employee data in any number of ways, enabling HR to understand its audience more completely and deliver more effective information, tools, and services to help employees make better-informed decisions. Increasingly, employers are designing and implementing segmentation campaigns based on common employee behavior, attitudes, and demographics in a variety of areas, including retirement, health care, and diversity initiatives.

Reaching Employees Where They Are

One of the first areas in which employers have been able to successfully drive behavior through employee segmentation has been in retirement. "With defined contribution plans playing an increasingly important role in employees' retirement income security, employers need employees to take a more active role in their own retirement planning," explains Scott Peterson, Global Practice Leader of Hewitt's Defined Contribution Services. "Companies that are successfully breaking through to employees are doing so by delivering personalized or targeted information in a variety of media."

Today's sophisticated data-processing capabilities make it possible to determine and respond to employee investment behavior in real time, from how much employees are contributing to the plan to how often they transfer money between funds. In addition, surveys, focus groups, and behavior analysis all play a role in helping companies understand what lies behind investment behavior and how their employee population compares to similar companies.

For example, instead of issuing a generic mailing to all employees about the details of the company 401(k) plan, employee segmentation enables companies to target groups of employees based on level of engagement in saving and investing and where they are in the retirement continuum, from younger workers to those nearing retirement. Employees who aren't participating in the plan receive targeted messages and tools to encourage them to sign up quickly and easily. Those just starting to save for retirement receive basic investment education materials, which encourage them to take a long-term perspective to investing. Employees nearing retirement receive tools and materials geared toward helping them make the important transition out of the workforce. All approaches enable the employee to take immediate action.

To date, results from certain employee segmentation approaches have been impressive, with average response rates from personalized 401(k) campaigns as high as 20% compared to near-zero response rates when communication contained a generic message for all employees and gave them no ability to take action immediately.

"With 401(k) plans, we need to think of employee segmentation as marketing to a reluctant consumer," explains Lori Lucas, a Hewitt consultant specializing in employee behavior. "We're trying to understand, from an investment-behavior standpoint, what employees are doing and why. The more we know, the better we're able to target functionality and messages to drive desired behavior."

Making the Behavior-Cost Connection

U.S. employers have recently begun applying segmentation strategies in order to influence employee behavior and reduce health care costs. In this area, segmentation can make sense as long as attention is paid to privacy concerns and regulations. According to Hewitt research, approximately 4% to 8% of a U.S. employer's population tends to drive 90% of its total health care costs. For many companies, the greatest cost impact can be gained by helping individuals who suffer from chronic conditions, such as diabetes or asthma, manage their ongoing treatment more effectively. "In the past, companies attempted to reach the majority of employees," explains Mindy Kairey, a leader in Hewitt's Health & Welfare Delivery Practice. "Now, instead of casting a wide net, more companies are using permission-based segmentation strategies to target small, discrete groups, designing programs and tools to help them at their points of need."

For example, a company that has a group of employees with diabetes may place targeted messaging on its HR portal, highlighting the benefits of managing the condition. Since sending the information directly to employees with diabetes without their consent would be a violation of privacy regulations, the information is made available to all employees. However, the message can be designed to encourage those dealing with diabetes to choose to be directed to more detailed information about cost-saving disease management programs. Once employees have given their consent, companies can provide additional online decision-support tools to help them select quality care and estimate out-of-pocket expenses.

While employers tend to focus most of their time and effort on annual enrollment, there are significant opportunities for them to reduce costs by focusing on how health care benefits are actually used by employees. For example, an employer could target employees purchasing brand-name medication through retail stores by providing information and modeling tools that demonstrate the considerable savings gained by purchasing generic medication through a mail-order prescription drug program. Or they could provide powerful incentives, such as the elimination of all copays for people enrolled in diabetes management programs.

"The future of health care is in providing employees with highly personalized online information coupled with knowledgeable customer support to aid them in their decision-making process," says Kairey. "Employee decisions are critical. To change employee behavior and deliver results, companies need to acquire and apply insight into their population's unique characteristics and motivations."

The Next Segmentation Frontier

Some of the newer—and more sensitive—developments in employee segmentation are in the area of diversity. According to the U.S. Department of Commerce, by 2008, 70% of new hires will be women and racial/ethnic minorities. The U.S. Census Bureau predicts that the nation's Hispanic and Asian populations will triple over the next 50 years and non-Hispanic whites will make up about one-half of the total population by 2050. To better reach all employees, some companies are exploring the possibility of communicating differently with different segments and taking factors such as race, gender, and national origin into account when thinking about employee segmentation.

"To effectively communicate with employees today, companies need to understand that different demographic groups are going to have different worldviews shaped by cultural traditions and religion, which inform their behaviors," explains Andrés Tapia, Hewitt's Global Leader for Diversity, Inclusion, and Corporate Social Responsibility. "Racial and cultural differences play a major role in the way employees view their employers and their benefits. For example, studies show that minorities tend to undersave in their 401(k) plans and underutilize preventive health insurance provisions compared to whites, even when earning the same amount of money."

The Internet allows employers to develop layers of information using cultural cues. This enables individuals to self-select and access information about issues

of particular concern to them. Once employees grant their permission, employers can target messaging based on the behavior patterns of diverse employee segments.

Sometimes reaching more diverse employee audiences means going outside the organization. Recognizing that some minority groups may not look to employers to influence their behavior regarding personal wealth and well-being, some companies are exploring the possibility of working closely with local community and religious leaders who may be trusted more for lifestyle influences.

It's important to note that employers are proceeding cautiously to avoid being perceived as "Big Brother." They're also wary of the legal sensitivities, particularly in health care and diversity. "Corporate culture plays some role in readiness, but employers attempting to segment by race or national origin should involve internal or external counsel when considering the impact of employment law and laws regarding the confidentiality of data," warns Tapia.

As a general rule, it's OK to deliver the same information to all employees using the same channels. However, from a compliance perspective, it's probably not OK to use national-origin information to identify employees of a specific descent and send them unsolicited information about a medical condition that they may be statistically at risk of developing.

Getting Started

Getting comfortable with the legal parameters around a more personalized approach with employees is the first step for companies beginning a segmentation program. Next, companies usually focus on their primary objectives where the need is the greatest. Many then conduct a benchmark study to determine the specifics of their employee population and how they may differ from other companies. Gathering as much employee data as possible is essential, including information on attitudes and behaviors. Finally, they determine what segments are the most promising and how program design, delivery, and communication can best be used to drive the desired behavior.

"If an employer can harness the power of personalization and show people value at an individual level, their employees will want to stay with that organization," says Baumruk. "In the end, we all want to be treated as individuals, and segmentation is a step to getting there." **H**

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