EBOOK

A Buyer's Guide to Employee Discount Programs

How to identify and select a discount program that can effectively attract and engage your employees

Who Should Use This Guide

This guide is designed for human resources professionals, employee benefits professionals, employee engagement specialists, and executives responsible for engaging and retaining top talent.

What You Will Learn

You will discover how to identify an employee discount platform with the highest engagement potential. We'll help you navigate the process of evaluating different platforms so you can make an informed decision.

By the end of this guide, you'll gain a deeper understanding of how discount programs are structured, the key differences between platforms, and why these differences are important. Our goal is to give you the confidence to choose the discount program that best fits your employees' needs.

Table of Contents

The Business Case for an Employee Discount Platform

Wallet Wellness has become a critical element to measuring a successful employee benefit.
Here's why your business should be focused on delivering benefits that help employees stretch their paychecks.

It's nothing new for companies to provide financial benefits for their workforce. Financial wellness for employees has been a big deal for a long time. Especially when it comes to retirement benefits.

But what about today?

Yes, financial wellness is important. But "wallet wellness" - having enough to pay for housing, food, transportation and the other stuff you need day-to-day - is a whole separate challenge.

Respondents in **this Mercer study** said the number one thing that keeps them up at night is worrying about paying for their monthly expenses.

Forget about saving for retirement. **Employees are making less and saving less**, some are even dipping into their retirement accounts. This Forbes article reports that a whopping **78% of employees** are living paycheck to paycheck.

Bank of America published research indicating that fewer employees are prioritizing long-term retirement savings and a growing number are focusing on their short-term financial needs.

The truth is, many employees aren't even thinking about paying for retirement. They're too busy trying to figure out how to pay for right now.

Costs of living have increased so sharply in the past few years that even mid- to upper-division salaries often aren't enough to keep up with people's monthly expenses anymore. And even though employers aren't to blame for their employees' financial woes, they certainly aren't off the hook either.

One thing that hasn't changed is that U.S. workers continue to expect financial stability from their employers. **This Bank of America report** found that 76% of employees and 96% of employers agreed that employers are responsible for employee financial wellness.

Yet regrettably, employers can't always rely on wage increases to solve their employees' financial anguish. As a result, employers are forced to get creative in order to retain their top performers. It's clear that future-focused financial benefits alone aren't cutting it anymore. A cushy retirement account only carries so much value when someone is struggling to make ends meet. Instead, people want benefits that give them more spending power now, not just in 30 years.

The good news for employers is that financial benefits that keep more of employees' hard-earned dollars in their wallet are actually quite simple to implement.

An increasingly popular solution for stretching employee paychecks is an **employee discount program**. With the potential to save workers hundreds to thousands each year, no other employee benefit has such a huge impact while costing the company so little.

Why Employee Discount Programs Make Sense for Employers

Discounts are a powerful universal motivator, driving engagement and satisfaction across all demographics. It's a big reason why more organizations are leveraging turn-key discount programs to better attract, engage, and retain employees.

Of all American retail businesses, **91% offer** their customers an engagement/loyalty program, and **98.4% of these** loyalty programs use some form of discounting strategy to attract, engage, and retain their customers. Whether it's reduced airfare, rewards or points that can be redeemed for products, discounts are a tremendous motivator because they leverage all consumers' collective desire to save money. The best part? Discounts are **popular with all demographic groups**, regardless of age, **income**, or gender.

That's why a growing number of organizations and companies are offering their employees or constituents compelling local discounts at restaurants, retailers, theme parks and travel related providers. Compelling discounts are the closest thing to a universally appealing benefit, as roughly **96% of consumers** use coupons or discount offers.

The more relevant and memorable discounts your organization can offer, the more employees you can attract and engage, right? Some organizations have even tried building their own discount program and generated some interest and engagement. But their challenge becomes transitioning from a homegrown discount program to one that can meet the needs of a diverse constituency, where employees live in urban, suburban and rural areas.

Turn-Key Discount Platforms

A quality turn-key nationwide discount program can deliver hundreds of thousands of discounts to your employees, and these programs can help your business:

- Add real value to your benefits package
- Help employees offset inflation and their shrinking buying power.
- Attract the attention of potential employees
- Engage employees who otherwise have not yet fully engaged
- Generate goodwill and help boost employee retention

Employees are far more likely to engage with an employer, if they are first offered benefits of significant value.

access perks

Employee Utilization and Inclusivity: Discount Programs Offer Something for Everyone

Tracking how frequently employees use their benefits offers HR professionals valuable insight into their relevance and effectiveness.

High utilization rates typically signal that a benefit is well-suited to employees' needs. Utilization also helps employers identify opportunities to enhance engagement and productivity. On the flip side, low utilization might indicate a need to reassess and potentially shift resources towards benefits that have a greater impact.

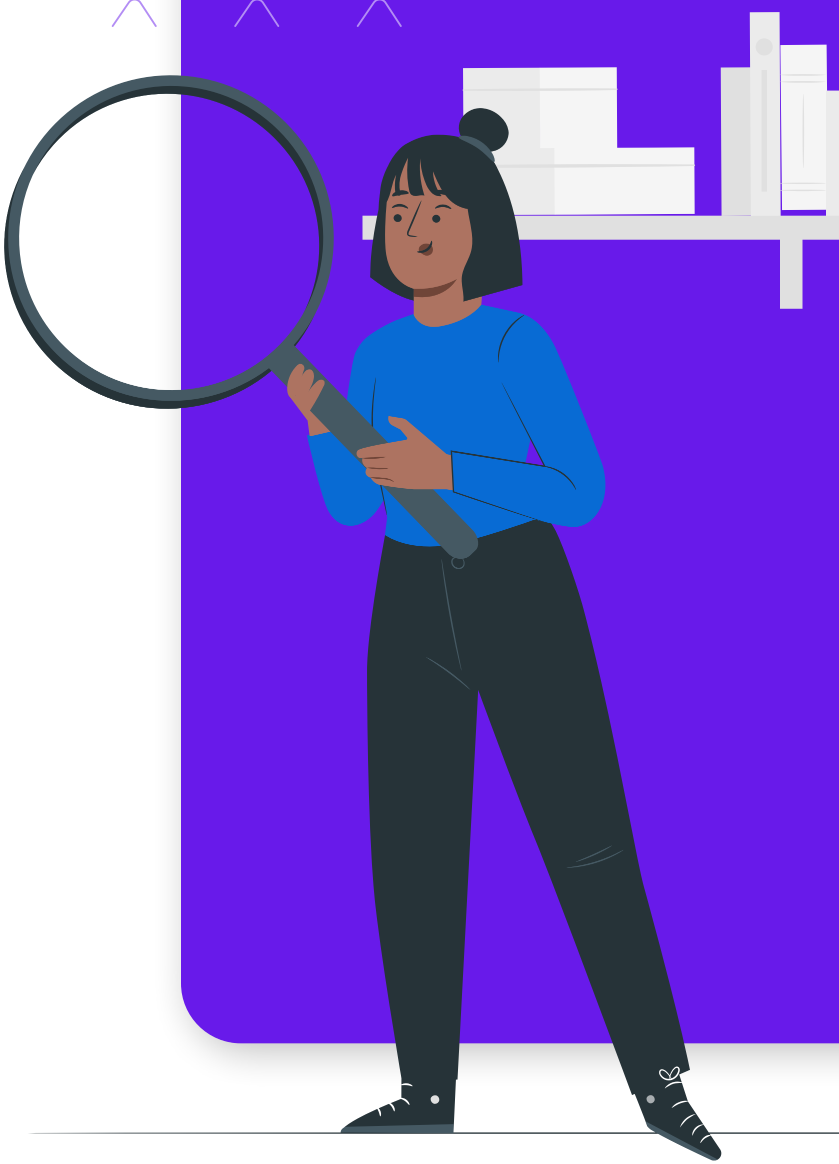
Health and dental insurance, along with retirement savings plans like 401(k)s, are among the most commonly utilized benefits. These traditional offerings address essential needs—health care and financial security—that are important to almost all employees.

However, employee discount programs are also gaining recognition for their high utilization rates. **Research by SHRM** reveals that approximately 55% of employees actively use these programs. *(see chart on next page)*

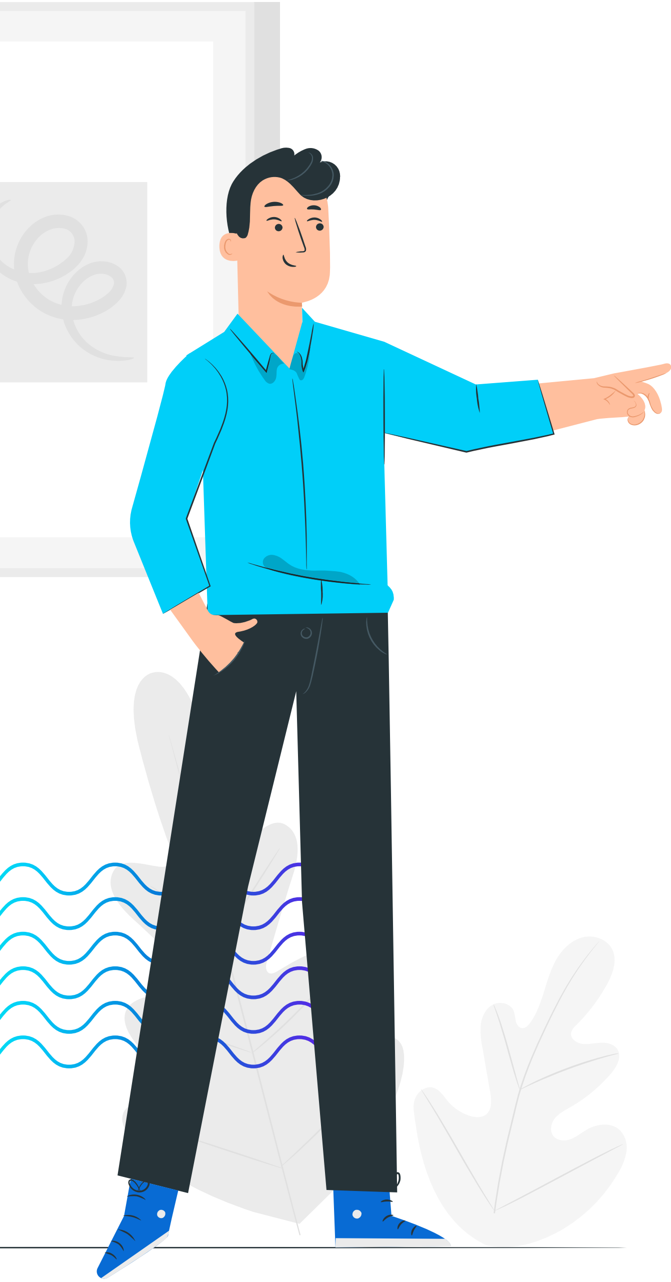
That's because a quality discount program will resonate broadly with nearly all your employees simply because they appeal to a fundamental consumer need—everyone wants to avoid paying full price for anything.

Discount programs not only help employees stretch their paycheck, but they can also contribute significantly to overall employee satisfaction and retention. By providing opportunities for employees to save on everyday purchases, the most successful discount programs are both highly inclusive and widely utilized.

Now let's talk about how to identify a successful discount program. But first, it will help to have a basic grasp of the world of consumer discounts, how they work, and why they differ.



access perks



Voluntary Benefit	Average Utilization Rate	Source
Retirement Savings Plans (401k, etc.)	75%	BLS
Dental Insurance	68%	NDAP
Health Insurance (private industry)	66%	BLS
Employee Discount Programs	55%	SHRM
Health Savings Account (HSA)	54%	PSCA
Flexible Spending Account (FSA)	45%	Marketplace
Wellness Programs	40%	Better You
Critical Illness Insurance	27%	SHRM
Life Insurance	15%	SHRM
Childcare Assistance	15%	SHRM
Disability Insurance	13%	SHRM
Student Loan Repayment Assistance	12%	SHRM
Identity Theft/ Credit Protection	6%	SHRM
Long-Term Care Insurance	5%	SCAN
Legal Services	5%	SHRM
Employee Assistance Program (EAP)	5%	Uprise
Tuition Reimbursement/ Education Assistance	3%	Uprise
Pet Insurance	2%	SHRM
Adoption Assistance	<1%	SHRM

Understanding the Secrets Behind Consumer Discounts

To effectively compare discount programs, it's essential to first understand some of the hidden realities within the world of consumer discounts.

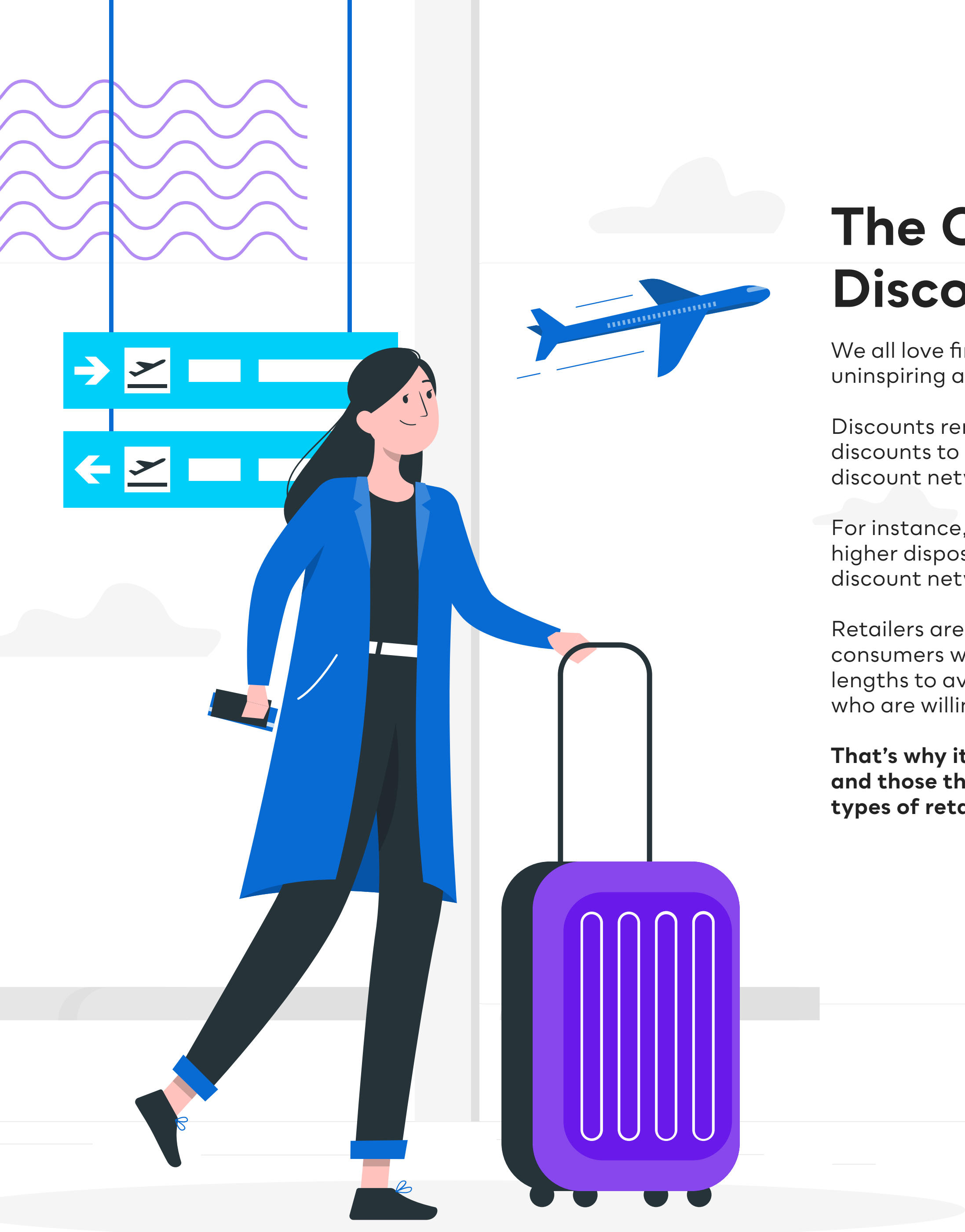
Personal Relevance is Key

For any discount program to truly engage your employees, it must be personally relevant to them. Without this personal relevance, the program is unlikely to have the meaningful impact on engagement you're aiming for. (See the **extensive list of peer-reviewed sources** about the persuasive power of personal relevance.)

A truly engaging employee discount program must meet these four fundamental characteristics of personal relevance:

1. **Compelling Value:** The network must offer deep, memorable discounts.
2. **Proximity:** The discounts should be close to where employees live and work, either physically or digitally.
3. **Convenience:** The discounts must be easy and convenient to browse and redeem.
4. **Popular/Trusted Merchants:** The discounts should come from merchants that employees know and trust.

A successful discount platform needs to deliver on all these criteria.If it falls short, it will likely be ignored by the people you want to engage.



The Quality Spectrum of Consumer Discounts/Coupons

We all love finding deep, compelling discounts, but we've also come across offers that are uninspiring and not worth the effort. How do you identify a quality discount offer?

Discounts remain highly popular with consumers, but many retailers use low-value discounts to upsell higher-priced products or clear out unsold items. This is where private discount networks come in, offering merchants a closed ecosystem of ideal consumers.

For instance, consumers with a college degree or professional career typically have higher disposable incomes. As a result, the best discounts are often reserved for private discount networks that target these key consumer demographics.

Retailers are selective with their deepest discounts, reserving them to attract ideal consumers who are likely to spend more and shop more frequently. They go to great lengths to avoid giving their best discounts to the general public and existing customers who are willing to pay full price.

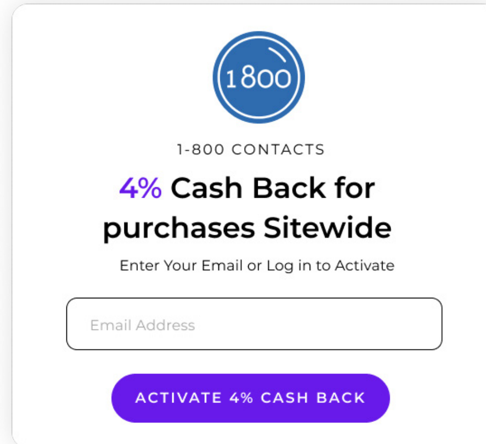
That's why it's important to know how to differentiate between coupons that engage, and those that don't. When it comes to discount programs, here are the three basic types of retail discounts found in most turn-key discount programs:

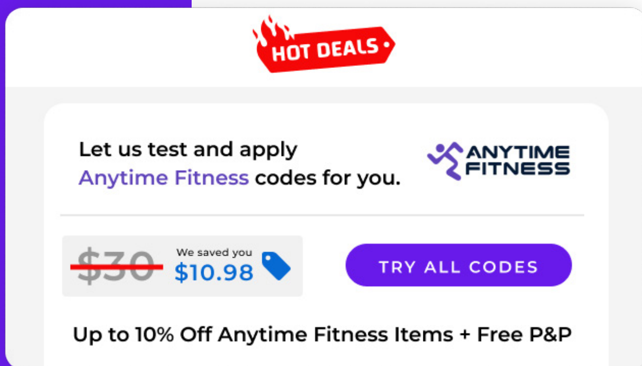
NOTE: Many online deals are nothing more than advertisements that point to a merchant's clearance section on their website.

Online/Affiliate Offers

ONLINE ONLY TRANSACTIONS
Typical offer: 4% cashback from 1-800-Contacts

These offers are online only, and usually don't exceed 10% in value. Merchants provide a unique URL to the "publisher," so each transaction can generate revenue. That means a portion of every sale gets split between your discount provider and other parties. A few discount networks will pass along the entire available discount to the consumer, but most programs will take a portion of the available savings and give your employee a modest discount with diminished value. Most discounts aren't unique, and often don't include a true deal at all.





Third Party Aggregated Offers

ONLINE TO IN-STORE TRANSACTIONS
Typical offer: Anytime Fitness, 10% off

These offers are sourced via third party aggregators who compile discounts and package them together for distribution to online retailers and others willing to publish their discount offer. Some merchants, like gyms and spas, will only offer a discount through an aggregator, so these deals are typically not private or exclusive. Aggregators like ValPak® for example, will allow a discount program to use their inventory of local discounts, but these are the same public offers that are sent en masse to mailboxes as junk mail. The discounts are often forgettable, typically in the modest range of 5%-20% off, and usually come with extensive restrictions about when and how they can be used.

Privately Negotiated Brick & Mortar Offers

IN-STORE ONLY TRANSACTIONS
Example: A buy-one, get-one-half-off from a local restaurant

In-store privately negotiated offers between the discount network and the merchant are the "gold standard" in the discount ecosphere. That's because 85% of consumer spending occurs in a brick & mortar location, so these offers usually have the highest relevance, usage and value. Since these offers are negotiated on a location-by-location basis, they can be costly to acquire for the discount program and are the rarest to find.

Merchants That Don't Participate

You might think that all merchants would jump at the chance to join a discount program, but that's not always the case. Some merchants just aren't interested, and here's why:

Low Margins: Retailers like Dollar General and Walmart® are masters of low-price retailing. They make their profits through high volume sales, often running on very thin margins. Occasionally, they might use targeted discounts as a "loss leader" to draw customers in, anticipating they will make up for the loss when the consumer makes additional purchases. Because of their business model, they don't see much benefit in participating in store-wide discount programs.

Exclusivity: Some merchants, such as supermarkets, limit their discounts to private-label brands or specific products for customers who join their loyalty programs. They may accept manufacturer's coupons but only because they get reimbursed for the discount.

Branding: High-end or niche brands like Rolex® and Whole Foods® often avoid discounts because it conflicts with their image as a premium or luxury brand. They prefer to maintain their exclusive reputation rather than participate in discount programs.

Demand: Big names like Apple® don't need to offer discounts. Their products, like the iPhone® and Apple Watch®, are in such high demand that they can maintain full price without any trouble.

Understanding these reasons helps set realistic expectations when evaluating any discount programs for employees.

Comparing the Discount Program Business Models

Knowing how a discount program makes money will reveal much about the company's ability to attract and engage your employees. Although each program will differ to varying degrees, most all discount networks operate on one of these two basic business models:

Organization Funded Model (OFM)

OFM: This type of discount program charges the employer a subscription fee and doesn't depend upon revenue from online transactions to monetize its program. This allows employers to experience larger discounts and a greater selection of merchants because both brick-and-mortar stores and ecommerce merchants can participate in the discount program.

Employee Funded Model (EFM)

EFM: A discount network that charges little or no upfront costs to the organization, but instead makes employees subsidize the administrative costs via online purchases, upsells, or by other means. Employees typically experience smaller discounts because a portion of each transaction is being divvied up among "middlemen."

Knowing how a discount program makes money will reveal much about how well they are aligned with your business goals.

The EFM Model

Discount networks using an employee funded model (EFM) will give away access to their discount program but will generate their operational revenues in ways that may not be readily apparent to your organization.

For example:

Monetizing users' online transactions:

Discount programs using an EFM will consist mostly of Publicly Available Affiliate Offers where transactions occur online. This will likely be a significant source of revenue. Most EFMs don't negotiate directly with merchants, but obtain their discounts from sophisticated **affiliate marketing programs** who are incentivized to promote discounts via an online **affiliate network**. Consequently, EFMs don't provide many private, brick & mortar offers because these types of coupons (i.e. redeemed at the point-of-sale) can't be monetized like they can an online transaction.

Upselling employees on insurance or other products:

Many discount networks use their network as a lead generation engine, aiming to contact your employees and solicit them for insurance and other related products. These programs then generate revenue from premiums, interest or investment income earned from those premiums.

Some discount networks are subsidiaries of licensed wholesale and reinsurance brokerage firms that offer risk management, underwriting management and benefits consulting products. Depending on the laws in each state, they may or may not be required to divulge the amount of commission revenue they generate from your employees.

Soliciting merchants to join their discount network for a fee:

It's critical that your discount network continually adds new merchants. However, when a discount network relies on generating revenue from merchants who join its program, it is likely they'll solicit and accept any merchant willing to pay a fee to gain access to your employees. Similarly, popular merchants like restaurants will not participate, since they have little incentive to pay a fee to join a discount network that delivers few if any financial benefits. Consequently, many EFMs rely heavily on less popular merchants like spas, massage therapists, or tax preparation services, all of which have a very narrow audience, limited popularity, and low usage.

Selling, renting or loaning employee contact information or usage data:

Some EFMs will generate revenue from selling, renting or loaning your user data to the highest bidder. Some call it **"Bulk Enrollment,"** where your employees' personally identifiable information is loaded onto a partner's database, often without your employees' consent. Others will collect aggregated user data and sell that information to data warehouses.

Using points/gamification:

Some EFMs will heavily promote a points or "rewards" program, offering prizes or extra value to incentivize frequent purchases. To pay for it, they entice users to make purchases on clearance or unpopular items that, after fees and taxes, will often cost more than retail. Additionally, the rewards threshold is set as high as $1,000 in total purchases before users can redeem any points.

While the EFM model can be enticing because of the low barrier to entry, its business model prevents organizations from offering significant value to their employees. In the EFM model, engaging employees takes a back seat to recouping provider costs. The average discount per transaction is in the range of 5%-9% per transaction. Consequently, most EFM programs experience low usage and are forgotten by employees because they lack compelling value.

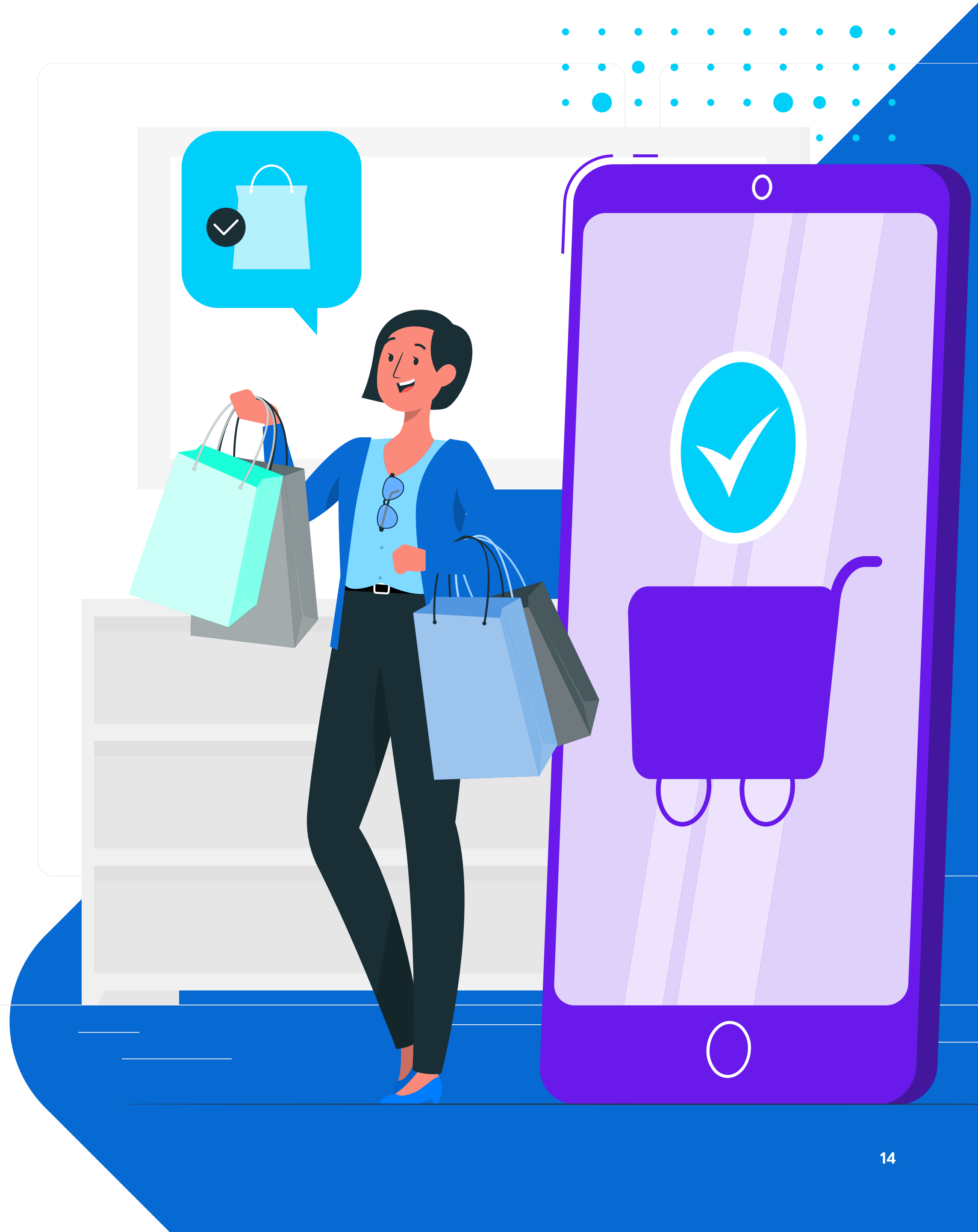
The OFM Model

An organization funded model (OFM) is typically funded by an **annual per-employee licensing fee**. Discount programs using an OFM are incentivized to engage as many of your employees for as long as possible, in order to retain your organization as a paying client.

For OFMs, value must be compelling and relevant. Otherwise, employees fail to engage, and the ROI is unsustainable.

A true OFM doesn't depend on user transactions as a primary source of revenue. To succeed, it must focus on delivering compelling value, and when it comes to compelling discounts, those are found in **privately negotiated brick & mortar offers**. Consequently, OFMs typically have an average discount in the range of 25%-40% off per transaction, but also many that are 50% off, or BOGO offers.

Because OFMs don't charge merchants to join their network, they must be careful about which merchants they're willing to accept on their network. If a business won't generate enough consumer interest, it's not worth the investment of time and resources to onboard them into the discount program. OFMs also have a business interest in weeding out poor performing restaurants and retailers to protect the integrity of their network. Most OFM invest heavily in "merchant compliance," or the process of validating that the business is open and compliant in honoring their contracted discount offer. EFMs, on the other hand, have no influence with retailers, so your employees are left to their own devices to resolve any issues.



access perks

Why OFMs Deliver More Value

As stated above, OFMs focus on building direct relationships with merchants, thereby delivering greater value to your employees. EFMs typically lack any direct relationships with the merchants on their program, and the offers they get are ubiquitous and generally lacking in value.

Here's why OFMs stand out:

1. **Better Negotiations:** OFMs can negotiate directly for more attractive discount offers.
2. **Custom Redemption:** They can implement custom redemption codes and serialized coupons, making redemptions easier and more reliable.
3. **Enhanced Customer Service:** OFMs work directly with merchants to offer higher levels of customer service, quickly resolving questions and issues.
4. **Full Discount Value:** They pass the entire discount offered by the merchant to the employees, rather than retaining a portion to cover expenses.

OFMs are incentivized to increase the number of employees who sign up and actually use the discount program. The more employees they can attract and engage, the more the OFM will benefit. As the program grows and more employees use the discount program, the cost per employee could actually decrease.

With most organizations, the costs of hiring new employees can be significant, but if the discount program is structured correctly, it can be a cost-effective tool to include in your suite of benefits you use to attract, engage and retain talent. Just like you can't expect to attract employees by offering few if any benefits, you must offer compelling value in order to get employees to initially engage.

The “Hybrid” Model
An EFM disguised as an OFM

Keep an eye out for programs that charge a monthly subscription fee, yet also heavily rely on monetizing their business from online transactions.

You can recognize these programs by knowing the percentage of their merchant network that has **Privately Negotiated Brick & Mortar** Offers versus the percentage of **Third Party Aggregated Offers** and **Online Merchant Offers**.

Discount programs using the hybrid model, in large part, consist of mostly of Third Party Aggregated Offers and Online Merchant Offers. A very small percentage are Privately Negotiated Brick & Mortar Offers. Ask your sales representative for the percentage of contractual relationships they have negotiated directly with merchants, and how many are obtained from third parties. This will help you identify whether or not their network consists of the prime Privately Negotiated Brick & Mortar Offers. They may not be willing to share this information, which should serve as a red flag.

20 Key Elements of an Effective Employee Discount Program

Discount programs vary widely, so when your organization is vetting employee discount programs, evaluate how each one delivers on these key elements:

1. A truly closed network

Merchants reserve their best discounts for closed networks where they can control the exposure of their discounts behind a password-protected wall. Discounts offered to the general public are usually less compelling, and not a retailer's best discount. Unfortunately, some discount programs claim to have a closed network, but in order to generate commission revenue, they find ways to discreetly allow the public to gain access their discounts.

2. Revenue sources

Some discount platforms don't want you to know that their "free" or "nearly free" discount program has hidden costs. Usually, the percentage of available discount isn't always passed along to the end user, but much of it is skimmed off the top by the discount program. The bottom line: programs that offer mostly online discounts are usually ignored by users because they lack value.

3. Evergreen offers

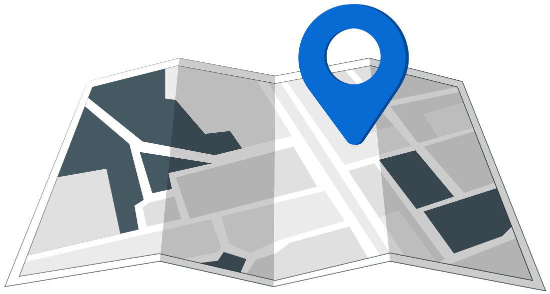
As opposed to daily deals, evergreen offers have no looming expiration date. Evergreen offers are a win for consumers, as the deals are available when the employee has the greatest need, not merely when the merchant is trying to clear out unwanted inventory.

4. Your branding

One of the major benefits of an employee discount program is regular, positive interactions with your organization. As such, a discount program should feature your name and branding front and center. Some program providers just promote themselves throughout their web properties and apps.

5. Brick & mortar offers

Although online spending is growing, [85% of all retail purchases] are still made in-store. If the discount program is generally made up of online discounts, then the program will only be relevant to your employees for just 15% percent of their overall purchases.



6. Ease of redemption

Consumers demand ease and convenience from the merchants they patronize. Offers requiring multiple steps to redeem, or that require users to wade through a flood of confusing or contradictory terms and conditions, make redemption frustrating and less valuable.

7. Proximity to your employees

This research shows that the average consumer travels just 15-20 minutes for most of their everyday purchases. With each offer, employees will instantly calculate if the offer is worth the effort to get there. That's why it's critical to have an abundance of in-store discounts as it increases the likelihood that employees can find an offer near where they live and/or work.

8. Direct Merchant Relationships

What percentage of discounts are directly negotiated with merchants versus obtained from third parties? Direct relationships typically yield deeper, more unique discounts.

9. Unique and exclusive discounts

Merchants use discounts to attract a specific type of customer. When discounts are offered to the general public, they are less valuable and have little or no lasting appeal. But unique, employees-only discounts offered through a closed-network discount program are generally more valuable, and can be a powerful tool to attract your audience.

10. Everyday savings

Discounts on everyday items should comprise the majority of your program. Look for discounts at restaurants, supermarkets, cell phone providers, Main Street retailers, big-box stores, auto service centers, theme parks, hotels, etc. It's okay to have a few merchants like day spas and Jiu Jitsu classes, but because the usage of these offers is so infrequent, they should consist of less than 1% of your network. These low-use offers won't inspire employees to use your discount program regularly.

11. Deep discounts

It goes without saying that the deeper the discount, the more excited employees will be to use the discount program on a regular basis. Look for programs where the average discount across all categories exceeds 25%-40% or more. Anything less than that is unlikely to inspire employee engagement.

12. Data security

Be wary of discount programs that give away their discounts in order to get your data for marketing purposes. Look for a discount program that is certified to manage data security. The minimum standard is a certification from the AICPA called "SOC2," a security framework that specifies how organizations should protect customer data from unauthorized access, security incidents, and other vulnerabilities. The highest level is a "Type II SOC2" report, which takes longer to achieve because it assesses controls over an extended period of time, typically between 3-12 months. In this case, an outside auditor will execute experiments such as penetration tests to see how the organization handles actual data security risks.

13. Merchant compliance

It's critical that merchants accept every coupon from your discount program. But sometimes businesses change ownership, or the young cashier hasn't been sufficiently trained to recognize which coupons are legitimate or not. Ensuring compliance requires a good relationship between the discount program and the merchant. Without a direct relationship, employees risk a disproportionate amount of customer service issues.

14. Show your phone" mobile coupons

Are there instantly redeemable "show your phone" mobile coupons? This is the fastest-growing segment of coupon usage and should be available in-store.

15. Travel & big-ticket items

Discounts at major theme parks are increasingly hard to find, but some discount networks are large and powerful enough to negotiate discounts at places like Walt Disney World® and Universal Orlando Resort®. Discounts on hotels and car rentals are also popular, but only if those discounts are better than the public online travel booking engines. In addition to travel, look for discounts on new cars, auto repair, home and garden items, etc.

16. Marketing and promotional services

How will your employees learn about new and relevant offers? Your staff should NOT have to create and execute a marketing strategy on its own. A high quality discount program will promote the network to your employees on your behalf through email, social media, printed materials, and more. Ongoing education is vital, as it can take time to get employees in the habit of saving. The better the provider is at communicating relevant messages, the more your employees will use the program.

access perks

17. Simple redemptions

Ease of redemption is a key factor to a successful discount program. When a discount is confusing to redeem, it's a forgettable experience that few employees will want to use. Some dining deal programs, for example, require the purchase of a coupon/certificate, but redemption is difficult, takes time, and is usually disappointing. Look for a discount program that has instantly redeemable coupons.

18. Partnership approach

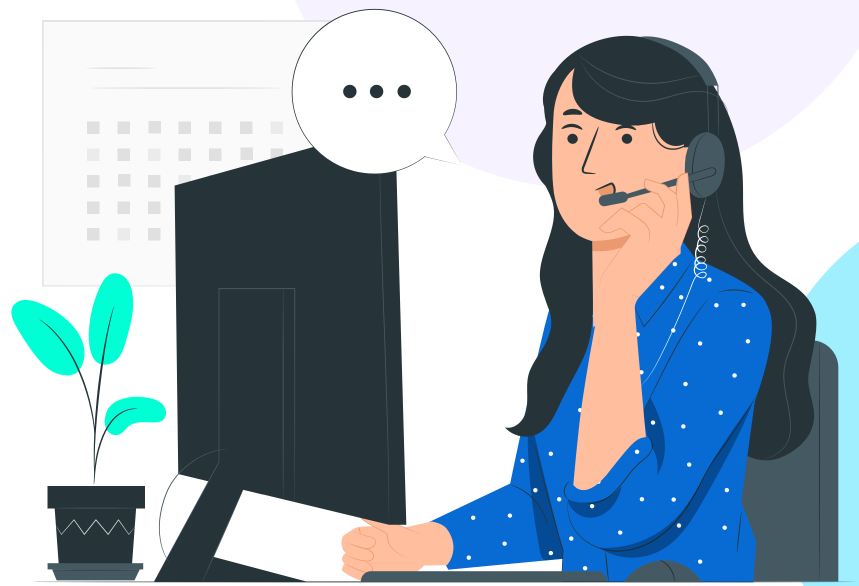
A successful discount benefit program will be as invested in the success of the program as you are. Work with that partner to create a great launch effort, set goals, monitor and adjust key performance indicators, and change the program as necessary. Whether you're having quarterly or semi-annual calls, you should be able to trust that your partner is working behind the scenes to make your discount program perform as effectively as possible.

19. Customer support

Employees may need a little handholding. Maybe an employee needs help downloading the mobile app or finding a specific restaurant or hotel. Maybe they've got a late-night hotel issue that needs to be resolved immediately? You shouldn't have to field those calls. Look for a discount program with 24-7 customer support. In addition to voice support, they should also support email and real-time chat.

20. Merchant fees

Some discount networks will charge merchants to join their network, using your organization's name as leverage. While it's important for providers to build their discount network for your employees, the big difference is in how it's done. Free programs will accept any merchant, often focusing on small, independent merchants such as massage therapists or karate classes who have a very narrow audience and limited popularity.



Why Restaurant Discounts Matter

Having restaurant discounts is critical to getting your employees to participate in your discount program.

On average, Americans dine out 3 times a week or a little over 12 times per month, but they also call for takeout 4.5 times per month. In all, every American man, woman and child spends an average of $166 per month –or $1,992 per year- to eat prepared food outside the home. High income individuals (in the top 20% income bracket) are spending three times that amount, a whopping $6,510 per year.

We spend a significant amount of our discretionary income on dining out, which is why dining discounts are so coveted. This makes it crucial for your discount program to offer not only a broad selection of casual, fine, and quick-serve restaurants but these restaurants must also provide substantial, meaningful discounts. These features can significantly boost initial engagement with your discount program.

However, many discount programs, especially those relying on transactional revenue, fall short in offering a variety of restaurant discounts.
Why? For starters, negotiating dining deals takes time and effort, particularly with popular local spots and mom-and-pop eateries. It's often challenging to reach the owners and explain how offering a discount can benefit their business, sign a contract, and make sure they will honor the discount. For most discount programs, these types of restaurants are too much of a hassle.

Another reason many programs shy away from dining discounts is that they typically don't offer commissions. If a discount program can't make money from a restaurant offer, they often won't include it, no matter how attractive the discount is. It's as simple as that.

This is why it's essential to choose a discount program that invests the time to secure valuable dining offers and includes them in the mix. This approach ensures your employees have access to the discounts they want, increasing the likelihood they will engage with and appreciate the program.

Gift Cards: A Cautionary Tale

National chain restaurants usually prefer offering discounts with branded gift cards rather than by offering a percentage off discount when you check out. Why? Because gift cards are a huge revenue driver. With an average **breakage rate** of about 10%—meaning a significant portion of gift card balances go unredeemed—restaurants can get a huge boost to their bottom line. Last year, restaurant gift card sales totaled **$90 billion last year**, translating to about $9 billion in breakage revenue.

While some gift cards can still be valuable, they do require your employees to put in a bit of extra effort. A top-notch discount program will go beyond just offering gift cards. It should also include discounts at local mom-and-pop restaurants, regional favorites, and popular spots that offer point-of-sale discounts. By providing a diverse mix of dining options, including casual, fine dining, and quick-serve, you'll ensure that your employees can enjoy the dining experiences they love and keep them satisfied with your discount program.

Restaurant discounts are critical to attracting employees to first participate in your discount program.

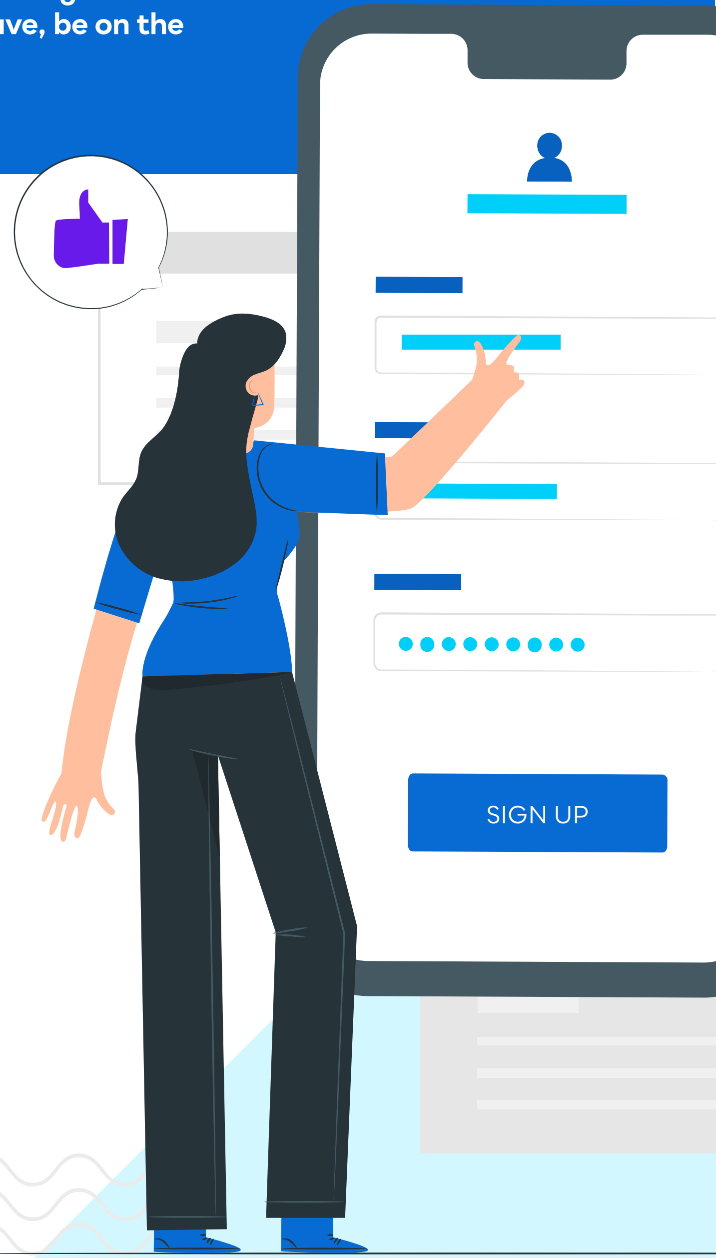
Size Matters: Comparing Discount Networks

When doing your due diligence, be prepared to encounter some rather creative methods with how discount networks compare themselves to their competitors. It's helpful to know how they spin those numbers to their advantage, making it harder for you to arrive at an apples-to-apples comparison.

Despite the common assumption, according to the **U.S. Census Bureau's Quarterly Retail Report**, just 15% of all disposable income is spent online, and most of that is spent at Amazon, Walmart and eBay, who don't participate in discount programs. So, if your discount program has only online merchants, then the available merchants will only be relevant for roughly 5% of your employees' overall purchases. That's why those "free" EFM programs are so easily forgotten. That's why the number of brick-and-mortar merchant locations within proximity of your employees can mean all the difference when it comes to employee engagement. The more physical places to save, the more opportunities they'll have to engage with your program.

But because most discount programs are monetized by online transactions, they have little motivation to include merchants with physical locations. In these cases you'll notice they simply avoid any mention of their total number of in-store merchant locations.

Many programs use creative methods to arrive at an estimated number of discount "offers" or "discounts." But this tactic is prone to manipulation and can obscure the true breadth and depth of their savings network. If a discount network lacks a significant number of physical locations for your employees to save, be on the lookout for these creative methods to inflate the size of their discount network:



Creative Math:

Some programs add the number of locations and discount offers together, calling them "opportunities to save" or "ways to save." For example, a local restaurant has a standing 15%-off discount, but a one-time 25% off discount at each of its five locations. The discount program would then say this restaurant has ten ways to save. It's a great way to make their discount network look larger than it is. A savings location should be just that: a single physical location, regardless of how many offers they have on their products or services.

Multiple Counting of Same Location:

Some programs count the same offer multiple times simply by manipulating the expiration date. For example, they will list the same product/service for an entire year but expire an offer each month. In this way the program will count 12 offers for the same product and/or service. This practice underscores the reason to compare physical locations rather than the number of "discounts," "offers," or "ways to save."

Counting Redemption Types:

Another technique used to artificially inflate the size of the merchant network is to count each type of redemption method as a unique offer. For example, a mobile coupon, an in-store coupon and an online discount are counted as three distinct offers, when in fact the discount and product are one.

Counting Cities Instead of Locations:

One technique used to inflate the size of networks is to count the number of cities where savings can be had. But rather than counting physical locations in each city or town, some providers count every city and town in America, because anyone with access to a computer can use their online discounts. Look for savings networks that count in-store locations with a discount offer. The most recent **U.S. Census of Governments reports** 19,522 municipalities in the United States. So be on the lookout for those networks who use municipalities as their only measurement for the size of their network.

Location Inflation:

Some providers inflate their numbers by counting the offers they obtain from public sources like newspaper circulars, flyers, mailbox offers and pharmacy discount clubs as part of their discount network. That way they can inflate the size of their network by counting every grocery store, convenience store, and pharmacy in their location counts. They don't really care that these offers have very little value and are available to virtually anyone, anywhere. They just want you to believe they have more in-store locations than their competitors. With roughly **40,000 grocery stores**, **155,000 convenience stores**, and over **67,000 pharmacies**, ask your program if they include these types of stores in their location counts.

Clients Instead of Locations:

When the number of physical locations is not convenient to report, some discount networks will cite their number of clients. This says nothing about how many ways your employees can save.

Because most discount programs are monetized by online transactions, they have little motivation to include merchants with physical locations.

Industry Terms

- **Affiliate network:** A web publisher or network of websites that promote discounts via its online channels.
- **Affiliate marketing:** A type of performance-based marketing in which a business rewards an affiliate or "publisher" for delivering web visitors to its ecommerce website.
- **Discount platform:** A collection of merchant-offered discounts that are bundled into a coupon book or digitally delivered platform and given as a benefit to a closed member group or constituency.
- **In-store:** A merchant location where a purchase is made for a product or service at a physical location, sometimes referred to as a brick-and-mortar store.
- **Location:** A physical store offering to sell goods or services.
- **Merchant:** A retailer or brand with one or more locations.
- **Mobile coupon:** A discount offer redeemed by showing a mobile device at the point-of-sale.
- **Offer:** A coupon or discount given by a merchant, for a reduced final price on goods or services.
- **Offline merchant:** A physical store location, not an ecommerce site.
- **Online merchant:** An ecommerce site selling goods or services.
- **Print at home:** A coupon or offer that is printed by the user.
- **Retail proximity:** A merchant within a consumer's typical travel distance.

In Conclusion

In summary, this guide has provided a comprehensive overview of how to identify and select an effective employee discount program that can attract and engage your workforce. We have explored the importance of personal relevance in discount offerings, emphasizing the need for compelling value, proximity, convenience, and trusted merchants. From a utilization standpoint, employee discount programs are among the most utilized benefits of all that are typically offered.

When evaluating a discount program, it's critical to understand the quality spectrum of consumer discounts, as well as to know the distinctions between different business models, such as Employee Funded Models (EFMs) and Organization Funded Models (OFMs).

We also highlighted the significance of dining discounts, particularly given the substantial portion of discretionary income spent on eating out. Effective discount programs should offer a diverse mix of casual, fine dining, and quick-serve restaurant options to maximize employee engagement. Additionally, the inclusion of various types of discounts, from gift cards to point-of-sale offers at local favorites, ensures a well-rounded program.

As you evaluate potential discount programs, consider the 20 key elements outlined in this guide, from ensuring a truly closed network and deep discounts to providing excellent customer support and a partnership approach. By choosing a program that aligns with these criteria, you can enhance your benefits package, improve employee satisfaction, and ultimately foster a more engaged and loyal workforce.

For additional information, you may want to consider the following resources:

Ebooks & Articles:

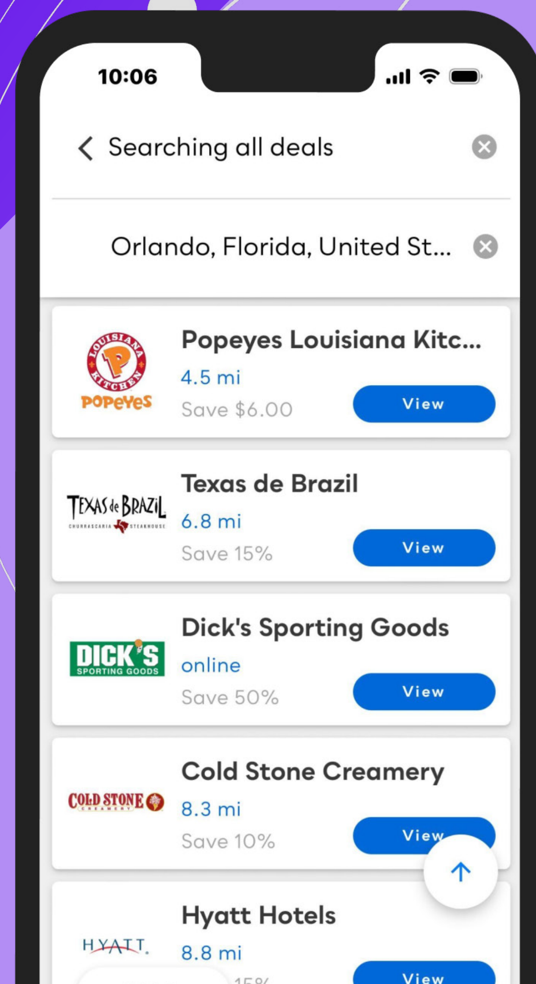
- Earning Engagement: 3 Steps to Capture Attention & Earn Loyalty
- Why Employee Discount Programs Work: From One HR Professional to Another
- The Ultimate HR Guide To Employee Burnout

Case Studies: See how other employers have used a discount program to solve specific challenges

- Discount program adds a golden layer to mining company's employee value proposition.
- Healthcare Organization Saves Employees $150,000+ by Investing in Financial Wellness
- Employees Save Over $80k with Employee Discount Program

Help Employees Achieve Wallet Wellness by Stretching Their Paychecks

Over 1 million everyday discounts for the price of a candy bar



access perks

WWW.ACCESSPERKS.COM