

Multicultural Marketing of Employee Benefits

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Using his training and experience in journalism, history, political science, and HR, Mr. Tapia has created innovative approaches to the firm's attraction, retention, and development strategies to foster an inclusive working environment. This includes shifting the diversity paradigm from one based on tolerance and sensitivity to one based on cross-cultural competence. Working with current national and global demographic trends, he also focuses on the implications of varying worldviews around health, wealth, and performance by the growing number of diverse groups in the workplace.

Mr. Tapia holds a B.A. in History with an emphasis in journalism and political science from Northwestern University.

Marketing to Consumers

When was the last time a T.V. ad moved you—not only emotionally, but to action—to buy a product, go on a trip, or support a cause?

Marketers spend much time and money figuring out how to reach you, whether you're a twenty-something or a senior citizen, a millennial or a baby boomer, a man or a woman, a Latin American immigrant or a Texas cowboy. Marketers and advertisers have figured out not only how to reach you, but how to move you as well.

Marketers' approach is based on sophisticated market research data that reveals patterns in the way different demographic groups tend to move, act, and believe. Marketers know that not all members within these demographic groups move according to their group norm, but there's enough of a pattern for them to shape messages and find channels that hit the broad mark time after time. For example, what audiences come to mind when channel surfing through a Sunday afternoon NFL game, *Sabado Gigante* on Univision, *The Jamie Foxx Show* on BET, any movie on Lifetime TV, *Blue's Clues* on Nickelodeon, or *Friends* on NBC?

How much of this applies to HR products and services? Quite a bit. Cultural studies reveal that different demographic groups tend to approach issues of health, wealth, and career in distinct ways. This has important implications for the design, development, and delivery of HR products and services.

Employees as Consumers

Before diving into the diversity and cultural implications of this to HR, a frame shift must occur to take diversity into this more profound dimension. Employers must begin viewing employees not as passive recipients of benefit packages, but rather as consumers of jobs, career opportunities, and benefits.

The war for talent is heating up. According to the U.S. Department of Labor, more than 10 million jobs in the U.S. will go unfilled in the next decade. This means that for certain talent in certain industries, it will be a buyer's market. Employers who embrace this concept of talent pool as consumers of opportunities will be in a better position to market attractive career offers.

As employers struggle with the skyrocketing costs of health insurance and other benefits, they're realizing that the one-size-fits-all approach is not only cost prohibitive, but also increasingly ineffective. Already employers are forcing employees to make tough choices about their health care costs as they weigh the tradeoffs between high deductibles and lower premiums. Employees are forced to *shop* for benefits. How about a PPO? An HMO? A POS? An HRA? An HSA? Basic dental? Premium dental? These are consumer choices and must be packaged and marketed as such to enable employees to make smart choices for themselves and their families—and in ways that help employers better manage their benefit costs.

“The diversification of the workforce means that the term ‘average employee’ will soon fade away,” says Andy Hiles, a senior benefits consultant at Hewitt. Think about it: Current HR programs are legacies from philosophies and structures that emerged more than 50 years ago—when most of the workforce was white and male. So, while the workforce has changed dramatically, why is it that benefits have not changed much? If benefits are truly designed to meet the needs of the today’s employee, diversity practitioners and benefit plan strategists must consider that those outdated programs will not resonate with the new workforce.

We must then move into the *multicultural design and marketing* of HR benefits.

Case Study: Multicultural Marketing of 401(k) Plans

One benefit that is increasingly important to the financial well-being of employees is 401(k) retirement funds. It's particularly valuable as entitlement programs such as pensions go away and Social Security turns into *Social Insecurity*.

Current research is exposing a disparity in investment practices according to race. For example, studies show that Latinos and African Americans tend to undersave in their 401(k) plans for retirement, saving at a lower percentage rate than Whites, even when they earn the same amount of money. One 2005 study by Charles Schwab and Ariel Capital Management, the largest minority-owned investment firm in the U.S., reveals that the gap is 15%. Only 65% of Blacks in households earning more than \$50,000 annually invest in stocks or mutual funds compared to 80% of Whites in the same income bracket¹. In another study at one Hewitt client, the nonparticipation rate of Hispanics/Latinos was 33% and for African Americans 26%, compared to 9% for Whites.

Money Worldviews

So what's the cause of this disparity? The multicultural marketing of benefits must address this question. Only through crosscultural marketing can these audiences be reached with messages that ring true and lead to action. It is important to understand the complex social-historical and socio-cultural drivers. For example, cultural studies show that Latinos tend to have a shorter time horizon about the future than Whites. When asked how they view "the future," Latinos tend to answer, "In the next three to five years." Whites tend to say, "The next generation." Asians tend to say, "The next century."

Many factors affect these differing worldviews. Whether experienced firsthand or by a parent or grandparent before immigrating to the U.S., the cultural worldviews get passed on subconsciously. For example, some Latinos come from a part of the world where there's uncertainty as to what the government will be like in four years. For them, the concept of building a nest egg over the next 40 years is an abstraction. In addition, with some Latin American regions suffering crippling hyperinflation in the 1980s, there's greater incentive to spend money rather than save it.

Historically, African Americans were prohibited from participating in diversified investment vehicles by the now-outlawed practice of red-lining by financial institutions. They were forced to use small savings institutions in their communities that offered only basic savings vehicles. Making matters worse, many employees have lost their long-term savings in the wake of recent corporate scandals. These scandals—made all the more dramatic by images of corporate leaders being led out in handcuffs—have undermined African Americans' already traditionally low trust in the financial system.

¹ Ariel Capital Management/Charles Schwab study, July 2005.

According to the Schwab/Ariel study, Blacks also differ from Whites in what they're saving for. Retirement is cited as the number-one savings goal for a greater number of Whites compared to Blacks. Blacks, on the other hand, tend to prioritize saving for a home and their children's college education. According to Ariel's president, Melody Hobson, the focus on real estate could be rooted in the time of Emancipation. Property was the sign of true financial independence. The focus on higher education is also understandable, given its foundational role in the rise of the Black middle class.

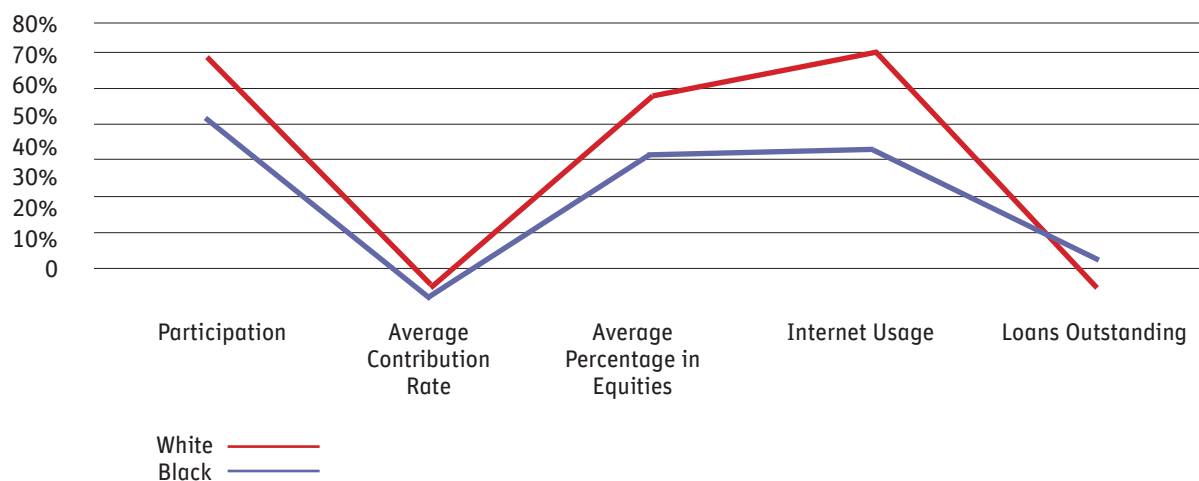
While these answers provide the "why" for low participation, they don't tell us how to close the gap. The low participation rate of Latinos and African Americans is of concern given the new consumer model around preparing for retirement. Employees must make choices today about how to manage their money in a way that prepares them for the future. Making the wrong choices could jeopardize their ability to take care of themselves and their families.

How can employee communications tap into the diverse attitudes toward saving and key behavioral drivers that motivate people of color to plan and invest for their retirement years? This goes beyond merely having more diverse pictures in 401(k) plan materials or putting those same materials in another language. These plans must be marketed in a cross-culturally competent way, creating communications that move diverse employees to action. To put these theories into action, we've been exploring some of these cross-cultural approaches with our clients.

Driving Up Minority Participation at a Medical Institution

In one pilot at a medical institution, a regression analysis of the client's data revealed that out of five demographic factors (age, salary, gender, tenure, and race/ethnicity), race/ethnicity was the number-one predictor of five different 401(k) plan behaviors. In comparing Black and White behavior, the differences looked like this:

Medical Institution Pilot: Differences in 401(k) Plan Behaviors by Race



In this pilot, Blacks had less than half the contribution rate of Whites, underparticipated in their 401(k) plans, and invested more conservatively. They were three times more likely to take loans through their 401(k) plans, and 30% less likely to use the Internet to manage their retirement money. Clearly, these actions undermine the ability for Blacks to optimize the return on their investment. The data from this pilot raises serious questions about assumptions on how benefit campaigns communicate to multicultural audiences within this medical institution.

If certain demographic groups are less inclined to use the Internet, companies that rely too much on Internet communications and transactions may be inadvertently leaving some employees behind. For example, Hewitt and Schwab/Ariel studies show that African Americans and Latinos are more communal and oral cultures and respond better to face-to-face presentations and workshops. This raises the potential of higher implementation costs that employers must address. Email blasts are more cost effective than workshops. But as the workforce gets more diverse, what happens when these cost-effective measures don't deliver effective behavior change?

Corporations can't adapt to fully accommodate this disparity in Internet usage. But by knowing these culturally based tendencies, communication campaigns can be shaped with a multicultural marketing approach to help individuals become more comfortable using the Web.

The Nuts and Bolts

Hewitt thought leaders—partnered with the medical institute's 401(k) behavioral specialist and Mellody Hobson from Ariel Capital—leveraged the pilot data to increase 401(k) participation. A multi-pronged approach was used with one of the medical center's clients to drive up the participation rate of their African American population in their 401(k) plan.

First, the team selected Black History Month as the timing for the campaign so it could be coupled with other messages that appealed to the Black population at this center.

Second, the team set up investment workshops co-led by the medical center's Chief Diversity Officer (who is African American). He partnered with one of Hewitt's consultants who is a certified financial advisor and also African American. The intent was to lessen skepticism about the value of long-term investing by having members of the African American community serve as advocates as well as subject matter experts.

Third, the focus was on face-to-face workshops that would appeal to the more oral (versus written) preference of African American culture and the importance Blacks place on communal events to be stimulated to action. A parallel can be drawn to the communal power of behavioral modification

through the African American church experience. Call it “communal peer pressure.” Other social network studies point to the choices of influential members of a community that have a downstream impact on other members, causing them to emulate the same behavior. One hypothesis that Hewitt is considering for research: is there a direct correlation between the 401(k) plan participation of a manager or leader—within minority populations that are communal in nature—and the individuals in the group he or she leads.

Fourth, the messages in the workshop were tailored to address both the opportunities and reticence the African American worldview may pose toward greater 401(k) plan participation. For example, when the audience was presented with the data that Blacks tend to put saving for college education over retirement, the question posed was, “Who will take care of you when you retire?” The answer often came back: “My children.” This led to an eye-opening conversation about how putting that burden on their children may be undermining the very economic advancement they were banking on by sending them to college. Further, it was pointed out that while there are multiple sources to pay for college (many types of scholarships, low-interest loans, etc.); there are very few additional sources for retirement other than one’s ability to save for it over a period of time.

Fifth, we applied techniques that have worked regardless of multicultural demographics. These have to do with making it logistically easy for employees to sign up “in the moment.” Quick enrollment cards were created that allowed participants to enroll on the spot by turning the card in. In a new pilot we’re conducting, we’ll have several PCs in the room along with personal guides to not only help people enroll, but also help them learn how to access financial advisors who are accessible through the Web site.

Results

We’ve done only one pilot with this approach and are currently working on a second. In this first pilot, though the sample size was small, 42% of a diverse group of attendees at a series of 401(k) plan workshops—who were nonparticipants before they attended—enrolled during the workshop.

Summary

While this case study focused on only one benefit—401(k) plans—all aspects of HR need to be viewed from a multicultural marketing perspective. Numerous studies reveal important behavioral differences around health on the part of people of color. These differences can affect their ability to take care of themselves in ways that are beneficial to them and to an employer’s ability to manage health care costs. At Hewitt, we’re currently researching these gaps, and the “whys” for their existence and the “hows” for bridging them.

According to Hewitt’s healthcare study, certain demographic groups rarely take advantage of preventive care provisions even when they’re made available through their insurance. This puts them at greater risk and makes employers vulnerable to an increasing number of higher cost interventions, such as emergency rooms.

One caveat must be made regarding legality and effectiveness. It’s illegal to target specific employee segments—for example, by sending pieces of communication to only one demographic group. Also, effectiveness would be compromised because while certain groups may tend to behave in certain ways (referred to as “archetypes”), there are many exceptions. To assume that all individuals within a demographic group behave according to the archetype falls into making “stereotypes.”

We’re not suggesting different approaches to address every possible demographic in an organization. But we need to get past a one-size-fits-all approach that’s grounded in the views and preferences of the majority group. A Hewitt analysis—that looked at data from a few large clients—revealed overlaps in behavioral drivers between different groups. For example, there are some key similarities in 401(k) plan behavior between older baby boomers, low-income Whites, and African Americans. By seeing these overlaps, you can develop marketing campaigns that will address the needs of a variety of demographic groups. This is done by shaping the campaigns around a handful of behavioral drivers (“inexperienced with investing” and then “very experienced with investing”), rather than explicitly around a given demographic group. So, while “all sizes fit everyone” would be cost prohibitive, the new approach could be called “several sizes fit most.”

This is the next frontier of true diversity and inclusion. Long-held assumptions around benefits must be questioned and made more relevant for today’s multicultural workforce. If done right, both the employees and employers will be the winners.

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