

Great People, Great Choices Communications Campaign
David Slavney, Debbie Slappey, Mike Stoll and Theresa Monti
Mercer/Kroger
Cincinnati, Ohio, U.S.

Need/Opportunity

As a national grocery store chain, Kroger knows its customers make choices everyday balancing value and cost. Cost management in an industry with traditionally low profit margins is an everyday operational imperative. However, Kroger knows from its research that customers also value the customer experience. In recent years, Kroger's business strategy has focused on defining and measuring the total customer value delivered at its 2,770 locations in a wide array of business segments (food stores, convenience stores, jewelry stores and manufacturing facilities).

In recent years, Kroger took a traditional approach toward managing benefit costs. For medical benefits, plan designs changed, and costs to associates increased year after year. If this approach continued unabated over the long term, medical coverage would become unaffordable for many associates and unaffordable for Kroger. With this in mind, Kroger began to focus on improving the health of its workforce to manage costs and deliver other important advantages, such as improved productivity and better customer service. Healthier associates are more productive, absent from work less often and better able to deliver excellent service that customers value.

With more than 65,000 associates (plus 91,000 dependents) in its consolidated (nonunion) health care program, Kroger's annual health care costs are in the hundreds of millions of dollars. As a result, even a 1 percent increase translates into significantly increased costs—a tough burden for a business with a razor-thin profit margin.

Kroger needed fresh thinking to break the inertia of associate decision making and find ways to support and reward better health. Kroger associates tend to stay longer than the typical retail associate, so the long-term savings opportunity was significant. To realize this goal, Kroger needed a major internal communication initiative that motivated associates to think about and use their benefits in a different way.

Kroger decided to make significant changes to its health care benefit plans. For 1 January 2007, Kroger launched a new Health Savings Account PPO (in addition to its existing HSA option). In addition to the company's automatic contributions to associate HSAs, Kroger initiated matching contributions based on an associate's savings up to certain limits. At the same time, Kroger replaced three traditional PPO medical options with two new PPO options that offered less generous benefits than the plan that most associates elected in prior years. Plan provisions were changed to minimize the differences in out-of-pocket costs between participants in the PPO and HSA PPO plans.

At the same time, Kroger made significant changes in its primary retirement plan. Most associates participated in a cash balance pension plan, but the cost of that plan meant Kroger was unable to offer a company 401(k) match. Furthermore, many key associates in store operations were unable to save in the 401(k), even without a company match, because of government limitations. The value of the cash balance plans was not recognized by associates, and the lack of a 401(k) match was a clear competitive disadvantage with other organizations.

Kroger froze the benefits in the cash balance pension plan and moved all associates to a 401(k) plan with a company match. The cash balance plan freeze allowed Kroger to reallocate dollars spent on that plan to the new and improved 401(k) plan. Since the change required associates to invest the savings in their accounts, Kroger introduced "target date retirement funds" that offer a one-step approach to a diversified portfolio. Again, Kroger needed to inspire "fresh thinking" among its associates to start saving and invest effectively.

Intended Audience(s)

The primary audience was non-bargained benefits-eligible associates who were affected by the health care and retirement changes. This group ranged from executives to store managers and staff. The audience was widely dispersed across the country with varying work schedules. Only a third of the audience enjoyed

regular access to computers at work. A secondary audience was human resources (HR) representatives, who were experts in the field that led associate meetings and served as a primary resource for associates. A third audience included company leaders at the corporate and business unit level. These top decision makers were needed to understand and support the changes, which required significant educational and persuasive communication, highlighting the reasons and advantages of the overall initiative. Associate family members and covered dependents represented another, equally important, audience. And finally, retirees and COBRA/separated associates were also affected by the health care changes.

Goals and Objectives

Kroger and Mercer defined several goals for the communication initiative:

- **Motivation.** Motivate associates to take a close look at the new HSA PPO plan options and elect them. Associates were very comfortable with the existing plan options that had been in place for several years, so it was critical to overcome the anticipated resistance to change.
- **Cost savings.** By motivating associates to enroll in the HSA PPO plans, both associates and Kroger could realize significant health care cost savings during 2007.
- **Fresh thinking.** Explain to associates that great choices in today's health care and retirement environment require fresh thinking: Using health care benefits to move toward better health and actively participating in my benefit plans, retirement is a goal I plan for—not wait for. The foundation of this fresh thinking is taking advantage of the tools and resources provided through yourkrogerbenefits.com. The first step was to register on the new and improved site, followed by taking the WebMD health risk assessment, called HealthQuotient.
- **Encourage associates to act with incentives.** Kroger gave associates incentives to change, including company automatic and matching contributions in the HSA PPO, discounted medical coverage if they took the HealthQuotient health risk assessment (which required registering on the new health portal) and company matching contributions for participants in the enhanced 401(k) plan.
- **Partnership with field HR.** Create a partnership between corporate HR and those in the field to ensure that associates understand the changes, what they need to do, and Kroger's role in providing these important benefits, information, tools and resources.

Kroger understood that achieving these broader goals required both effective health care plan designs and a significant commitment to associate education and resources. Kroger identified several specific measurable objectives:

- Increase enrollment in the HSA PPO plans from 5 to 10 percent—a 100 percent increase.
- Enroll 80 percent of associates on yourkrogerbenefits.com, the new and improved health portal powered by WebMD.
- Get 50 percent of associates to take the WebMD health risk assessment (HealthQuotient).
- Create a true partnership with field HR that results in active support in promoting positive change.
- Generate increased 401(k) participation and savings rates among plan participants, and attract associate investors in the new target date funds.

Solution Overview

Strategy and Research

In early 2006, before the program design was even finalized, a communication team was formed. Mercer team members included a strategist, project manager and writer, as well as technical experts. Mercer facilitated meetings to determine the communication objectives, obstacles, facilitators, stakeholders and key messages. A communication strategy and detailed work plan with specific media, activities and timing were developed and agreed upon. This blueprint served as a guide throughout the project as additional resources and stakeholders were added. The work plan was divided into phases: researching the current state, achieving buy-in, conditioning and training, and educating and enrolling employees.

The process began with research to discover what drives associates' health care decisions, how they use health care services and how well they manage their health. The team also wanted to understand associates' preferred ways to receive corporate and benefits information. To answer these questions, Kroger conducted a series of focus groups (approximately 25) with associates, and surveyed line HR representatives. The

results informed the communication approach, established a baseline for future research, and surfaced areas for skill-building and maintenance.

Graphic Identity

Mercer and Kroger developed an overall theme for the communication initiative—*Great People, Great Choices*—that alluded to the benefit program’s emphasis on providing Kroger’s great people with the benefit choices they want and need. The accompanying graphic identity also signaled a new, consistent direction for both health care and retirement benefit information. The new look focused on vibrant images of people, using strong color photos. This theme also complimented a key pillar of Kroger’s “Customer First” Strategy—our people are great. The same graphics were incorporated into the new health portal.

Communication Vehicles

The communication plan was designed to move associates along a continuum of awareness to involvement and decision making. While specific messages were refined for each piece, core messages included:

- Health care and retirement benefits are undergoing changes for companies across the country, including Kroger. The changes for 2007 reflect the company’s best efforts to balance two critical needs for the Kroger family of stores and its associates:
 - Providing health and retirement benefits that are meaningful to associates, competitive and sustainable over the long term.
 - Promoting the good health and financial security of associates.
- The changes for 2007 call for fresh thinking. Fresh health care thinking means that health is an ongoing pursuit that is part of everyday life. Fresh retirement thinking means that retirement is no longer just a point in the future, but something all of us need to plan for—now.
- Healthy, energetic associates are key to Kroger’s commitment to its “Customer First” focus. Kroger’s investment in health benefits is intended to help associates stay healthy and productive—not just at work, but in all aspects of life.
- Managing health starts with one choice at a time—each choice you make, however small, can eventually lead to better health. This not only involves choosing the right coverage option during annual enrollment, but it also involves using benefits well by making smart choices on a day-to-day basis about how and when to access health care services.

To facilitate more effective communication, the team created an interactive CD-ROM presented in four chapters that associates could easily access at work or home. This was a key communication vehicle to simplify messages, ensure consistent delivery of core messages to associates and key influencers, and keep associates focused on key actions. The CD-ROM was divided into four, 10-to-12 minute sections with the following areas of emphasis:

- Manage your health – Register on yourkrogerbenefits.com and take the HealthQuotient health risk assessment.
- Consider the HSA PPO – Kroger is now offering automatic and matching contributions.
- Save for your future – Enroll in the new and improved 401(k) plan and receive company matching contributions.
- Invest your savings – Consider the target date funds to make investing easy.

The CD-ROM was included in every enrollment packet mailed to associates. In addition, field HR representatives relied on the CD-ROM to deliver core messages in more than 300 associate meetings across the country.

In most cases, associates received the same communications; however, at benefits enrollment time, associates received versions of additional materials based on their employment status (associate, retiree, COBRA, separated associate, etc.). The following is the sequence of communication materials:

Audience	Vehicle	Purpose/Description
Senior leaders/ decision makers	Presentations	<ul style="list-style-type: none"> ▪ Conduct ongoing briefings with key leadership in various forums to present the business case and rationale for change, explain the benefits for Kroger, and gain support for the plan changes and communication approach. ▪ Leverage venues in which the necessary opinion leaders were already gathered

Audience	Vehicle	Purpose/Description
		in one location; conduct targeted one-on-one conversations with key decision makers.
Human resources business segment leaders	Training sessions with handouts, video demos, special content experts, etc.	<ul style="list-style-type: none"> ▪ Explain changes and prepare various HR leaders to share information with their teams. ▪ Provide advanced copies of communication materials.
Associates	Announcement brochure mailed to homes	<ul style="list-style-type: none"> ▪ Provide message from senior leadership and context for health care and retirement changes. ▪ Announce 2007 changes at a high level and outline what associates can expect over the coming months.
HR training	Business unit HR teams	<ul style="list-style-type: none"> ▪ Educate this important audience about the rationale for change and the value to associates. ▪ Preview communication and meeting support materials. ▪ Solicit their active support in encouraging associates to act.
Associates	Associate meetings (led by corporate HR team)	<ul style="list-style-type: none"> ▪ Provide details about the changes and the concept of fresh thinking. ▪ Explain the case for change and the need for a partnership between Kroger and its associates. ▪ Introduce new and improved yourkrogerbenefits.com and the tools and resources available. ▪ Gather associate feedback.
Associates, retirees, COBRA and separated associates	Enrollment materials (enrollment guide and CD) mailed to home	<ul style="list-style-type: none"> ▪ Provide plan design information, as well as instructions (and PIN) on how to register on yourkrogerbenefits.com and take advantage of the tools and resources. ▪ Provide access to online tools, including a health care cost estimator to compare plans based on associates' estimated out-of-pocket expenses and projected health care needs. ▪ Provide access to the same content presented at associate meetings (via CD) since not all associates could attend.
Associates, retirees, COBRA and separated associates	Reinforcement materials (postcard)	<ul style="list-style-type: none"> ▪ Provide important enrollment reminders and registration information.
Associates participating in the cash balance plan	Merrill Lynch 401(k) retirement savings account plan materials	<ul style="list-style-type: none"> ▪ Explain the new and improved 401(k) plan. ▪ Describe the new matching contribution and how savings can grow. ▪ Introduce new target date funds, their advantages and how to invest.

Implementation and Challenges

Kroger established an open-ended communication budget to ensure that the communication campaign was effective and completed on time. The team overcame the following significant obstacles:

- **Associate inertia** – Associates tended to choose the same plans year after year with only minimal changes. Kroger anticipated resistance to its effort to introduce the new plan options and increase enrollment in the HSA PPO plans.
- **Cost misperception** – Many associates were enrolled in traditional PPO plans that actually cost them considerably more in total out-of-pocket costs than the HSA PPO options; however, there was a prevalent misperception that the HSA plans were the low-value plan because of the high deductibles.
- **Diverse audiences** – Kroger associates are scattered all across the country in different types of businesses and facilities. In addition, education, salary and career levels vary greatly.
- **yourkrogerbenefits.com portal usage** – The major push to the Web to access information and tools represented a new direction for Kroger and its associates. In past years, most benefits communication was delivered via print communications. The emphasis on the Web also posed a challenge due to limited computer access for store and manufacturing associates at work (approximately two-thirds of the audience).

- **Timing** – The development of the enrollment materials (specifically the enrollment CD-ROM) constituted a major undertaking involving numerous vendors and key stakeholders within Kroger, so timing was critical.

Finally, additional obstacles in communicating with associates included:

- Associates could perceive the changes as negative/a takeaway.
- Associates’ comprehension might be limited—change is always difficult.
- Apathy—associates are overwhelmed with information to read.
- Geographic dispersion made it difficult to reach large groups of associates at one time.
- The limited time and busy lifestyles of associates and lack of HR support in many locations affected Kroger’s ability to reach them.

Measurement/Evaluation

Objective	Results
Increase enrollment in the HSA PPO options from 5 to 10 percent.	<ul style="list-style-type: none"> ▪ Twelve thousand six hundred participants enrolled in the HSA PPO options. That’s 23 percent of total enrollees, more than two times greater than the original 10 percent goal and a 400 percent plus increase in participation. ▪ Associates contributed on average US\$231 to the HSA PPO, receiving about half of the company match available.
Enroll 80 percent of active associates registered on yourkrogerbenefits.com.	<ul style="list-style-type: none"> ▪ Eighty-nine percent of active Kroger associates registered on yourkrogerbenefits.com. ▪ Twenty-three percent of those accessing the site used at least one of the online tools to select their benefit coverage, such as the PlanCompare and CostCompare tools.
Get 50 percent of associates to take the HealthQuotient health risk assessment.	Sixty percent of associates took the HealthQuotient and received a discount on paycheck contributions for medical coverage.
Create a true partnership with field HR.	Feedback from field HR and other key stakeholders within Kroger has been overwhelmingly positive. Field HR conducted over 300 meetings at various locations.
Generate increased 401(k) participation and savings rates among plan participants, and attract associate investors in the new target date funds.	<ul style="list-style-type: none"> ▪ Six thousand associates changed their 401(k) savings rate; half of this group was previously saving 0 percent of pay. <ul style="list-style-type: none"> ○ The average rate among this group increased from 2.49 percent of pay to 7.35 percent of pay. ▪ Eighty-five percent of all new 401(k) plan money is invested in the new target date funds.