

# Forbes

## Home Remedy

Can't get health insurance? Try shopping at Home Depot.

By Suzanne Hoppough

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To keep customers coming back, retailers try everything from store-issued credit cards to loyalty cards that get punched with every purchase. Now the Home Depot is going one better. It's treating its most faithful shoppers--plumbers, electricians, small-home builders and contractors--almost like employees. These customers can now have their businesses' payroll, credit-card processing and personnel paperwork done through Home Depot. They can get their mobile phones and shipping services through Home Depot. Most notably, they can sign up for health insurance through Home Depot.

The hardware chain has been rolling out the program since January, doing little to publicize it beyond putting stacks of brochures next to cash registers. Nevertheless, 12,000 customers have signed up. Home Depot plans to announce the program in the media later this month.



The program, dubbed Home Depot Business ToolBox, could be a boon for small-business owners who can't get health insurance at affordable rates. Members pay for the insurance and other services but take advantage of Home Depot's group rates. In return, they don't need to do anything, not even promise to shop at Home Depot instead of archrival Lowe's (nyse: LOW - news - people ).

It's a bold but risky move, so what's in it for the country's second-largest retailer? Chief Executive Robert Nardelli came up with the idea as a way to keep expanding sales to the professional market, which account for 30% of the chain's \$82 billion annual total. The program is also open to other small employers: shops and restaurants, even churches, day care centers and other nonprofits. He figures that the program will instill a deep loyalty to Home Depot. It is not exactly a charitable activity on the company's part, because the company gets fees from the 13 companies--so far--that provide the services; they include Sprint (nyse: S - news - people ), JPMorgan Chase and DHL. But evidently the bottom-line benefit, if any, is going to come through higher sales of hardware.

Nardelli certainly needs the boost. The company's share price is down 21% since he took over in December 2000, and investors are in an uproar over everything from his fat paycheck to how he ran the annual meeting.

So far, his plan has worked for Margaret Lade, owner of Lade Insurance Agency in Burnsville, Minn. She switched to the payroll processor offered by Business ToolBox, PrimePay, and says she's saving 40%. She also might change her credit-card processor to Chase. "Now I definitely use Home Depot before [Midwest hardware chain] Menards," she says. "They're going out of their way for their customers. I do the same thing for mine, trying to get that warm-and-fuzzy feeling."

Some 38% of Business ToolBox members tell Home Depot that they plan to sign up for health insurance. Wendy Hendricks, who runs a 15-employee Pittsburgh firm called Warehouses by Design that outfits warehouses, already had insurance when she learned about the program from an insert in her Home Depot credit card bill. But she was paying \$800 a month for her family of five, so she called the toll-free number and reached Phoenix broker BenefitProtect. She switched to Assurant Health and now pays \$450 a month.

## Home Remedy (cont'd)

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The retailer put BenefitProtect through lots of hoops before picking it as Business ToolBox's insurance broker. "Home Depot wanted assurances that we can grow with their plan," says Kyle Williams, the company's chief executive. He says some applicants have serious conditions and don't qualify for major medical insurance but can get limited coverage.

Of course, funneling thousands of customers into all sorts of services could prove a huge administrative headache for Home Depot. It has already lost one customer. Celeste Gothorp, owner of a small power-washing company in Graham, N.C., signed up for Business ToolBox online and followed up with an e-mail to no avail. "I got a prompt e-mail back saying someone would be in touch," she says. "That was six months ago."

Home Depot brushes off such concerns. James Stoddart, the retailer's senior vice president for growth initiatives, says it's ready for the volume that's expected once the program gets more publicity. In fact, he says, Business ToolBox is adding new services, such as dumpster rentals and help for contractors in maintaining their certifications, while also expanding into Mexico and Canada. Throughout North America, cashiers may soon be saying, "Do you want some health insurance with that hammer?"

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