Connie Weaver joined TIAA-CREF in May of 2010 as executive vice president, chief marketing and communications officer. In this role, she was to oversee the company’s marketing, brand management, advertising, market research and analytics, corporate communications, and digital strategy functions. Before coming to the company, Weaver had held senior marketing positions at companies such as The Hartford, BearingPoint, and AT&T.

Weaver was assuming the marketing position of TIAA-CREF at a time when the company had undergone substantial changes in structure and attitude. In office for two years, TIAA-CREF’s CEO Roger Ferguson had led the company through finishing the initiatives his predecessor had identified during the Decisions 2003 strategic review as well as a major cost-cutting effort. Most importantly, Ferguson had led the company through the depths of a global recession. During these challenging economic times, TIAA-CREF’s conservative approach to investments had proven better suited to securing individual futures than those of many of its peers, and the company had gained as customers had made a “flight to security.”

Ferguson now set the company’s sights on achieving new goals. TIAA-CREF had added financial products that went beyond those that secured retirements, including money management products for saving for college and home ownership. Ferguson wanted these products that now accounted for about 15 percent of TIAA-CREF’s assets to make up a larger share of the company’s offerings. Ferguson also wanted to expand beyond the company’s traditional markets in higher education to include other nonprofits and government-supported organizations.

To accomplish these goals, Weaver needed to consider a number of questions. First, she had to assess the company’s efforts to restructure as part of Decisions 2003. What opportunities and challenges did the company’s open architecture, offices, new wealth management function, and segmentation schemes offer? How did this new distribution system fit with the company’s next goals?

Then Weaver had to consider TIAA-CREF’s awareness and positioning among customers. The company was competing against industry giants such as Fidelity and was not known to many customers (especially younger ones), even in its core market of higher education. Weaver wondered how to position the company to increase overall awareness and then to let people know that TIAA-CREF could serve more than just their retirement needs. What channels would be most effective?

Finally, Weaver had to work to educate customers about the advantages of TIAA-CREF’s offerings. During the recession, customers appreciated TIAA-CREF’s stability, but as equity markets began edging higher, many customers eyed the higher returns of risky funds and other esoteric offerings. Many of TIAA-CREF’s products, such as annuities, seemed stodgy by comparison, especially to customers intent on making back what they had lost during the downturn. TIAA-CREF had to convince not only end customers, but also third-party advisors who often urged their clients to get into these investments without regard to the risks they posed.
The Flight to Security

When Ferguson took charge in April of 2008, he launched a cost management plan to lower the company’s expense ratio, the fees that TIAA-CREF charges its clients. Through the 18 months ending December 2009, the company cut 20 percent of its total budget. A great deal of the savings were found through rationalizing services and reducing consultants. The company also consolidated its real estate footprint, especially in midtown Manhattan, and leased excess space to produce income. Finally, the company laid off a number of employees.

The cost-cutting efforts took place as the country entered into the most serious recession since the Great Depression of the 1930s. The triggering event for this financial catastrophe was the bankruptcy of the Lehman Brothers investment bank in September 2008. But Lehman was not alone: the collapse of the housing market had led to the failure of subprime home mortgages and hurt the liquidity of most major financial institutions. Other noted financial institutions, such as Merrill Lynch and AIG, signaled that they were in trouble. Credit froze, and the equity markets plunged – the Dow lost over half of its value. Unemployment rose dramatically.

TIAA-CREF largely avoided losses in the subprime mortgage market, because the company had identified problems in the mortgage market early on. In 2009, the company was one of only three U.S. insurance companies to receive the highest ratings from all four major insurance rating agencies. And throughout the crisis, all four rating agencies endorsed TIAA’s claims-paying ability and affirmed its triple-A or equivalent highest rating.

Nonetheless, the company’s funds suffered as the financial meltdown spread to all sectors of the economy. During the latter half of 2008 and on into 2009, TIAA-CREF mobilized to reassure its institutional and individual customers. The company fielded record call volumes and web traffic in the wake of the financial crisis.

Through its customer service efforts and financial acumen, TIAA-CREF saw that it was experiencing a “flight to stability,” which led to more than 245,000 clients beginning or expanding their relationship with the company. By comparison, Fidelity experienced outflows of $40 billion in 2008, the largest loss in the industry. In addition, nearly 100 institutional clients consolidated their relationship with the company in 2009.

TIAA-CREF’s cost cutting also helped make the company’s financial offerings more attractive. With investment spreads dropping, fund expenses played a larger role in making funds attractive investment vehicles. As Ferguson stated in a letter to clients,

> Just as your outlook is long-term, so is ours. We take a risk-based, long-term approach to managing your retirement savings. Our philosophy has been tested over nearly a century, through numerous economic cycles. We are fully invested, we are diversified, and we are keeping our eyes on multi-year results, not short term market fluctuations. By offering access to a wide range of asset classes, TIAA-CREF gives you the opportunity to stay diversified, which can help to check downside trends and harness upside potential. Our record of investment performance stands with anyone’s.

Making the Distribution System Work

When Weaver joined the firm in 2010, the recession had begun to lift. In addition, the company had by-and-large finished implementing the Decisions 2003 initiatives (see TIAA-CREF: Decisions 2003 Overview for more details). The Decisions 2003 initiatives had completely restructured the company, segmenting individuals and institutions and creating a new high-touch wealth management function. Though the reorganization had put management of the wealth management function and the offices
into an institutional and individual investors division, Weaver’s direction of the marketing function would be informed by the distribution network’s operations.

From an asset standpoint, TIAA-CREF’s 3.7 million individual clients could be divided into three segments: Wealth Management, Emerging Wealth Management, and Core. Wealth Management participants controlled nearly two-thirds of the company’s assets under management. However, these high-net-worth participants represented just 11 percent of TIAA-CREF’s total participant population.

By 2008, the wealth management function had evolved into one of the leading retirement plan advisory services, with more than 80 percent of individual clients who used TIAA-CREF’s Wealth Management service rating the service “better or much better” than comparable services offered by competitors.

Offering objective advice continued to be a key strategy for TIAA-CREF’s success with individuals. In 2009, TIAA-CREF conducted more than 146,000 individual advice sessions and investment consultations, slightly ahead of 2008’s total. As a result of these sessions, approximately 63,000 participants decided to move more of their assets to TIAA-CREF, an increase of 14 percent over the prior-year period. In the Higher Education segment, the average participant was about 53 years old, had been a participant for 12 years and owned, on average, just one TIAA-CREF product.

While participants rated the wealth management function highly, the service remained an expensive one to maintain. Exactly how to leverage the existing services and how to expand the services remained an open question.

**Increasing TIAA-CREF’s Recognition**

TIAA-CREF’s issues with recognition loomed large for Weaver. Besides introducing the company to prospective clients, Weaver had to position the company amidst the other financial giants, as well as get people who associated TIAA-CREF exclusively with retirement to consider the company’s other financial offerings.

The issue of TIAA-CREF’s recognition was a longstanding concern. *Decisions 2003* identified TIAA-CREF’s low name recognition as a problem. As a result, with a spot in the first ad break during the 2004 Summer Olympics opening ceremonies, TIAA-CREF began a wave of major national advertising aimed at consumers. The company instituted a multiyear plan, working with Modernista!, a relatively small advertising agency in Boston, including television and radio spots and new print and internet ads.

When the company first considered hiring a new advertising agency in 2003, many agencies refused to meet with them. Steve Goldstein, executive VP of Public Affairs at the time, which encompassed marketing, remembered, “At the time we were spending $20 million, and they didn’t think it was worth their effort. People in the ad industry had no perception of who we were.”

The first wave of ads debuted in 2004 and focused on pure awareness and name recognition. The TV spots featured the music and lyrics of “Somewhere” from *West Side Story*, expansvie visuals of the company’s target audience in their professional environments, and very little text copy. They focused on the message “we serve those who serve others.” The copy-heavy print ads running at the same time were a “Manifesto” describing the company and those it served.

The second wave, beginning in mid-2005, had a more in-depth message about TIAA-CREF. The ads showed individual customers: a doctor, nurse, professor, a groundskeeper, and an artist. While the music of “Somewhere” was still used, the lyrics were dropped and replaced with copy about the company’s philosophy and whom it served. The commercials were filmed by Academy Award winner
Errol Morris, with the tagline “For the Greater Good.” The third wave, in 2006, focused on the message “to and through retirement.” These ads emphasized advice, products, and services, and the ways the company helped its customers save for and live well in retirement.

The advertising itself raised some concern from some long-time customers, though the negative response was less than had been expected. Although TIAA-CREF directed its ads to reach its not-for-profit market, its advertising was in media that reached the general public. Goldstein noted that the decision to make a major advertising presence was a "huge leap." He said, "Some individuals wrote after the summer Olympics ads and said, 'What are you going to do next, put us on MTV?' I wanted to write back and say, show me that professors watch MTV, and I might buy there." However, he quickly pointed out the care that the company took in selecting programs that both reached potential customers and had a "demeanor" that reflected the company’s strengths.

There were special challenges for the company in its marketing. For example, consumers differed as to how they liked to define TIAA-CREF’s services. As Goldstein said, ‘People over 40 don’t like the term ‘financial services company,’ and the older they are the less they like it. People under 40 don’t like the term ‘retirement services company.’ They want a financial services company. And that’s an ongoing issue.”

General ads waned during the 2008 recession. To publicize the company’s successes, TIAA-CREF turned to new ways to connect with its clients, launching pages on Facebook, iTunes, YouTube, and Twitter. The company created a unique online community, myretirement.org, to engage clients in planning for and living in retirement, and launched an iPhone app, letting users track fund performance, discover their “Financial IQ” and receive information about saving for retirement and other goals.

The TIAA-CREF web site also became an important point of emphasis. The company worked hard to increase the functionality of its web presence. Site innovations allowed customers to track and manage more of their account relationship.

In September 2010, Weaver launched an integrated marketing and public relations campaign emphasizing “Become Your Future You.” The campaign urged people to think about their futures, how they had to plan to achieve their goals, and how TIAA-CREF could help them. Weaver said,

This campaign is exciting because for the first time we are using real TIAA-CREF advisors, speaking in their own words about how they serve customers. The response from clients has been terrific; they relate to our message and how we chose to deliver it.

However, Weaver still faced the challenge of informing the public about TIAA-CREF’s other products. TIAA-CREF’s awareness among new employees remained low and Weaver faced the challenge of crafting a message to them and deciding the appropriate channels through which to deliver that message.

New Products and Solid Investments

While name recognition and positioning were persistent problems for TIAA-CREF, the company also faced the challenge of selling prudent financial products to customers and third-party advisers. During the financial crisis, TIAA-CREF became a safe haven for nervous investors, but as the economy improved, customers often took their money out to place it in funds that they believed could beat the market. Furthermore, TIAA-CREF’s signature products, annuities, were a difficult sell, though they did promise secure returns.
Building on the success of *Decisions 2003*, TIAA-CREF had created new financial products ranging from real estate and agricultural funds to 529 plans that allowed individuals to save for college. The company also began to offer money market funds. After receiving final approval to take deposits and make loans through the TIAA-CREF Trust Company, FSB, the company introduced its first banking product in October 2010, an FDIC-insured cash deposit money market sweep account for Trust Company clients.

For all the differentiation in the product mix, TIAA-CREF’s offerings continued to reflect the company’s belief in sound investment principles. Finance experts have argued that it was futile to base investment decisions on outguessing market prices or beating the market through timing. TIAA-CREF had been successful over the long term with its approach of diversifying holdings over a variety of asset classes and avoiding high-risk investments. Nonetheless, individual and professional investment advisors often seemed eager to follow a different path, looking for the investment or investment fund that could beat the market.

In *New York Times* op-ed essay, David Swenson, chief investment officer at Yale University, pointed to a Morningstar report that found that “low costs do a better job of predicting superior performance than do the firm’s own five-star ratings.” Yet investors, both individuals and mutual fund managers, had responded to recent market volatility by withdrawing funds from one- or two- star funds and flocking to funds with four or five stars in the Morningstar ratings, even though star ratings focused on past performance and did not predict future performance. The result: investors were selling low to buy high. Swenson observed that the churning benefited advisors and fund managers, but hurt investor returns. For many investors and their advisors, steady, lower-risk and lower-return options like TIAA-CREF’s funds were simply ignored.

Another line of academic research pointed to the problems of helping investors understand the strength of TIAA-CREF’s bias-free advice. As Daylian Cain, assistant professor of organizational behavior at the Yale School of Management, said, “A conflicted expert can give good advice. But unbiased advice is highly undervalued.” His research suggested that requirements that advisors disclose their conflicts did not resolve the conflict, and the disclosure did not lead individuals to seek alternative sources of unbiased advice.

And rather than teaching the value of prudent investing, the financial crisis might have added to investor’s desire to add risk – a phenomenon known as the “gambler’s fallacy.” Gamblers hold the mistaken belief that a series of random outcomes in one direction make the opposite outcome more likely, as in assuming that a winning hand in poker is “due” after several losing hands. With this common fallacy, gamblers often decide to double their bets after a series of losses, expecting a more likely winning outcome in the next round. The same phenomenon holds with many investors. Losses encourage them to move into higher-risk options in hopes of making up lost ground.

Planning for retirement raises inter-temporal issues as well. Retirement funds require individuals to give up consumption today in hopes of greater rewards in the future. As Yale SOM professor Shane Frederick described, the willingness of individuals to defer rewards depends in part on how much an individual identifies with his or her future self, and how far away the future date “feels.” In experimental studies, decisions made in 2011 by a 30-year-old can differ depending on the language used in a question. Phrasing such as “when I’m 60,” versus “in 30 years,” versus “in 2041,” changes the response, even though all refer the same point in the future.

Besides educating potential consumers about prudent financial investing, Weaver and TIAA-CREF realized that they would have to channel some of their message to and through third-party financial advisors. A large percentage of TIAA-CREF customers at high wealth levels employed third-party financial advisors to make their investments. These financial advisors prided themselves on their ability to pick winning investments that seemed to promise better-than-market-rate returns to their clients.
Demographic Pressures

In 2010, TIAA-CREF’s decisions in terms of its distribution, marketing and educational efforts were expected to have important consequences for the future of the company. Demographic changes in the U.S. population promised to change the financial service landscape.

From 2010 to 2020, the proportion of the U.S. population over age 65 was predicted to grow at a significantly higher rate than other demographic groups. As Baby Boomers entered and lived in retirement, the U.S. was expected to see a significant structural change in the retirement market. By 2020, it was expected that individual-managed accounts would constitute almost 50 percent of all retirement assets in the U.S., up from 25 percent in 2008.

The financial needs of people living in retirement, and with assets in individual investment accounts such as IRAs, were different from those with retirement assets concentrated in defined contribution accounts. An unprecedented number of TIAA-CREF’s clients would reach retirement by 2020 or face other factors that would result in a wholesale review of their financial needs, assets and plans. The company’s clients had almost six times as many assets outside of TIAA-CREF as they did in TIAA-CREF retirement products. Clients over 55 years of age alone had $1.1 trillion outside the company.

For many in this aging population, there was the perception that TIAA-CREF did not have the right products and services to support clients’ other retirement and after-tax assets. Many of these people had TIAA-CREF accounts, but they could consider moving the money into other vehicles when they reached retirement age. And even people with TIAA-CREF accounts did not realize that TIAA-CREF had products that could help them manage their other funds.

TIAA-CREF also faced concerns at the other end of the demographic spectrum. The company’s acquisition of new clients over the last decade had slowed due to market saturation and increased competition. Most of the company’s growth during this period has been due to asset appreciation. How to get younger workers to begin a relationship with TIAA-CREF represented a key challenge to the company going forward.

Endnotes

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