



Beliefs and Behaviors

The employee as consumer: A retail approach to engaging participants

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It's safe to say that retailing has probably put more effort into understanding consumer behavior than any other industry. Retailers compete for consumer time and attention on a daily basis — often with products and services that are virtually identical to one another.

This relentless competition makes retailing a living laboratory for customer engagement policies, and a source of valuable lessons for plan sponsors who want to engage their own employees in preparing for retirement. After all, just as retail customers consume clothes or food or cars, plan participants consume investment advice, annuities and mutual funds. Retailers particularly excel at three tactics that plan sponsors should consider.



The best way to understand people is to determine what's happening in their lives and what their priorities are.

Making it personal

The best way to sell anything to customers is to know what they need, and the best way to understand what they need is to determine what is happening in their lives and what their priorities are. The retail industry gathers this information with customer loyalty cards, which sophisticated retailers, such as Nordstrom and Brooks Brothers, use for more than offering discounts. They collect data to understand customer purchasing behavior, which in turn allows them to make targeted offers to customers based on historical preferences and emerging needs. Another example is Amazon's ability to make book recommendations based on a customer's past reading. Amazon is more than a source for books; it is a trusted source for credible information about the kind of books each particular consumer likes to read.

For plan sponsors, a good starting point for “making it personal” is to analyze demographic data to determine an employee's life stage. Are they living from paycheck to paycheck? Are they focused on basic aspirations such as owning a home or preparing kids for college? Are they fairly well off but leading complex lives and dealing with competing priorities for their money? Plan sponsors can go even further to gather information and learn about specific situations: Is an employee newly married? Did she just have a child? Do elderly parents live in the home?



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With this information, plan sponsors can engage employees on personal issues that affect broader retirement planning or might change an individual's financial circumstances, such as where she will live when she retires. Should she modify her existing home or downsize? If she decides to sell, should she buy a smaller house or rent? What are the costs of each of these options in the areas in which she is considering retirement? This is critical but hard-to-find information.

Being local

Retailers have learned that, even if they have a national or international brand, they can be more successful if they demonstrate their knowledge of the local community. One way to do this is to make the company a hub of highly relevant, local information.

For instance, Lululemon is a maker of yoga-inspired athletic apparel with 200 locations in the U.S., Canada, Australia and New Zealand. It employs local instructors, and they run community boards where customers can find and discuss information about local training and gear. Beyond being a source of products and services, Lululemon aspires to be a local yoga resource center. Similarly, PetCo offers a small retail format called Unleashed that is a hub of community-based pet services, such as training, vaccinations and other veterinary care, grooming, and pet parties.

Plan sponsors can help employees in a similar fashion by creating a Web portal that offers information and access to providers of various local services, from healthcare to lawn care to car care, and explains the true costs of these services with actual examples. This helps make retirement more concrete and spurs better planning. The portal may even be linked to the retirement planning intranet to increase activity and keep retirement issues top of mind.

Employees less close to retirement may need similar information when caring for an elderly parent. For instance, if the parent can no longer drive in an area without an established mass transit system, the employee may need to arrange transportation. He or she will need to learn what the transportation options are, the schedules and the costs. The plan sponsor can be a valuable resource for demystifying these challenges.

In other words, these portals of local information are a service for eldercare as well as for retirement. The company might vet the providers on the site or not. But by simply giving employees a place they can find local, relevant information quickly, plan sponsors can be seen as a trusted resource for useful information.

Making them smarter

Another tactic that retailers use to engage and win customers is to make consumers feel smart. For instance, Apple has the Genius Bar, a tech support station located inside some Apple retail stores. The purpose is to help customers one-on-one and make them more competent to cope with technological complexity.

Whole Foods works to educate its customers and make them feel smarter. It devotes a significant amount of retail space and employee time explaining where the food originated. How is it grown? Is the salmon farm raised, or wild caught? Did the strawberries come from California or Mexico? Are they organic? There are also recipes and forums for healthy eating. The idea is to elevate the discussion beyond picking a product to understanding the product and how to use it.

Similarly, advice and education from a plan sponsor can be positioned in a way to make employees feel smarter and more in control of their retirement future. Retirement planning tools, asset allocation scenarios and other calculators can help employees take charge of



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their retirement planning with confidence. Offering ready access to an on-site provider is another way to keep in touch with employees and involve them in retirement planning. The bottom line is that if employees better understand and are familiar with the factors that affect their retirement savings, they can make smarter decisions about their overall financial well-being.

Employees lead busy lives in and out of work, which makes getting them to focus on retirement readiness very difficult. Plan sponsors need clear strategies to engage participants and win their time and attention. They would be well served by studying the example of retailers, whose entire existence depends on finding new and effective ways to engage customers — and make them come back for more.



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