

# WEALTHTECH RESEARCH & ADVISORY SERVICE: DIGITAL ADVICE

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## SECOND INSTALLMENT 2019 SERIES

Drivers of Consumer Choice: Critical data for growing consumer engagement in a modern wealth management business

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## ABOUT PARAMETERINSIGHTS' WEALTHTECH RESEARCH & ADVISORY SERVICE

Innovation in the North American financial services market is fast approaching a point of inflection. Near-ubiquitous mobile access, multi-channel delivery, and technological evolution are rapidly altering consumer attitudes, behaviors, and expectations.

ParameterInsights' 2019 WealthTech Research and Advisory Service comprises two separate annual reporting series. The first is a four-part series covering digital wealth advice (i.e. robo-advisors). The second is a two-part series covering self-directed investing via online discount brokerages. Both series provide timely and relevant analyses that surface unmet consumer needs, evaluate current market participants, and provide in-depth discussion and implications of key results aimed at giving our subscribers an edge.



### ABOUT PARAMETERINSIGHTS

ParameterInsights is where data meets strategy: simply and reliably. We combine deep sector expertise with custom research to provide our clients with data-driven and highly consultative solutions.

# REPORT OVERVIEW

This report focuses on digital wealth advisory services. Modern approaches to personalized investing (and ongoing investment management) rely heavily on modern portfolio theory, which is typically implemented via software-managed investment products such as ETFs.

In some cases, automated financial services are combined with human advisor interactions but the overall experience is delivered to clients over the Internet.

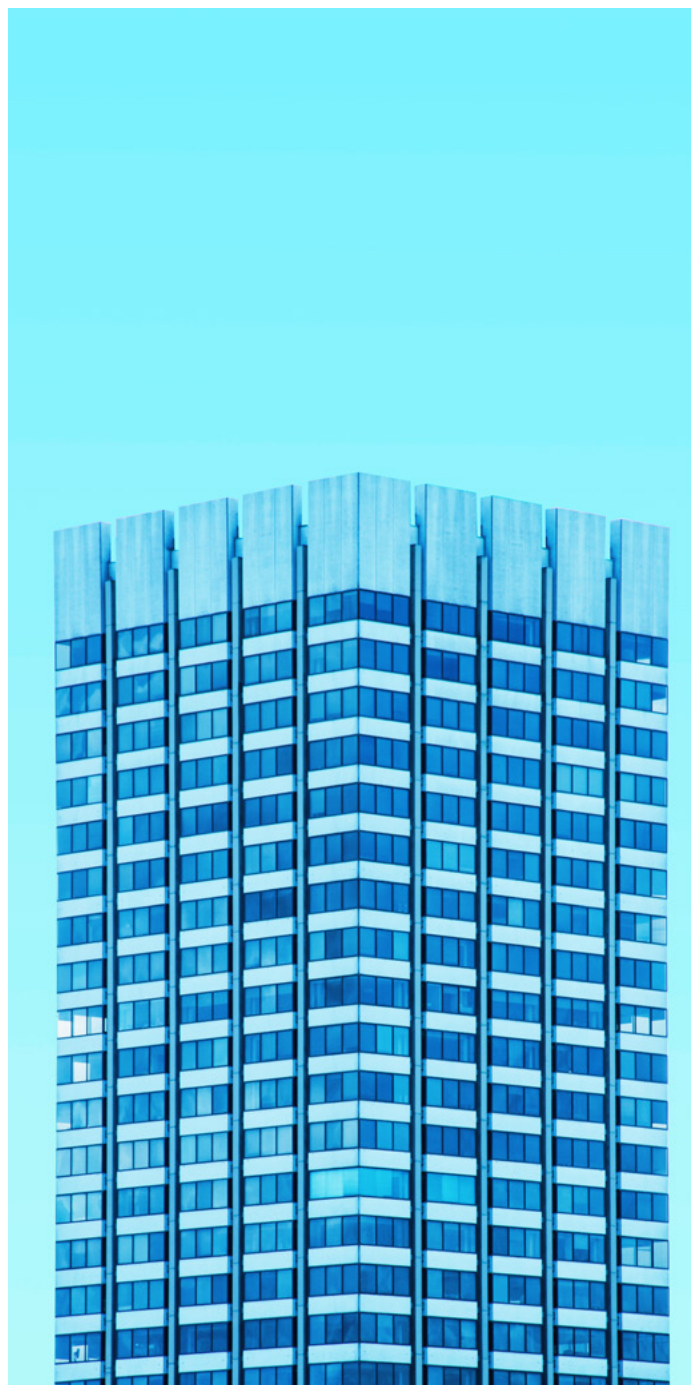
Though digital advisory services were born into the US market in 2008, brands are still building overall awareness as the market matures.

The proliferation of digital channels among consumers of all categories is driving the notion that digital wealth management innovations hold the potential to disrupt the competitive landscape of an important area of financial services.

The purpose of this report is to measure and analyze demand for these changing services as well as supplier activity and market impacts.

The report is divided into three sections, each addressing a key topic with empirical data and in-depth discussion of managerial implications.

We acknowledge the formal distinction between the terms “advisor” and “adviser” but use “advisor” consistently throughout this report to refer generally to entities providing financial services or guidance to clients.





# EXECUTIVE SUMMARY:

Drivers of Choice





# EXECUTIVE SUMMARY

Disruption unfolds over long stretches filled with pivots and adjustments that ultimately coalesce in the form of winning business models. Firms that fail to innovate, however, will ultimately be disrupted by upstarts and incumbents that continue to invest in new and innovative ways to delight consumers.

The digital wealth management space continues to evolve. In the face of such change, it is imperative that executives at firms offering digitally led advice understand the internal motivations of potential clients and their preferences for consuming wealth advice. The insights gleaned can be brought to bear directly on strategic choices related to product and marketing decisions.

The second installment of ParameterInsights' 2019 WealthTech: Digital Wealth Advice Research and Advisory Service provides an in-depth analysis of consumer preferences within the space of wealth advice. The relative importance of brand, fees, initial investment requirements, and other key considerations are examined from the standpoint of consumers in Canada and the US.



# APPENDIX



# RESEARCH CONTEXT



As an industry, digital wealth advice remains in its infancy. Reliable measurement of category familiarity, brand awareness, and brand engagement presents a unique set of challenges in the context of a new market. Compared to established markets, new markets move quickly through multiple periods of change before settling into a relatively stable and predictable environment.

As clear leaders are established and weaker competitors fall, the overall market landscape will come into greater focus. By definition, market first-movers are necessarily few in number, which makes them difficult to reach and track. Moreover, these innovators do not tend to be representative of typical consumers; they make choices and exhibit behaviors that are not reflective of the broader consumer group. Innovators also influence the choices and behaviors of subsequent market participants (i.e. early adopters and early majority). Over time, as the market matures, market participants become easier to reach and the market itself becomes more amenable to cogent analysis.



# METHODOLOGY - CONSUMER SURVEY

## OUR WEALTHTECH CONSUMER SURVEY COVERS THE FOLLOWING CONTENT AREAS:

- Attitudes toward investing and digital wealth management
- Maximum difference scaling (MaxDiff) of digital and traditional wealth advice features
- Choice-based conjoint (CBC) for digital wealth advice offers
- General familiarity with the concept of digital wealth advice (i.e. category understanding)
- Top-of-mind, other unaided, and aided brand awareness
- Brand usage, usage frequency, and preferred device type
- Barriers to adoption of digital wealth advice
- Digital wealth advice overall and feature-specific satisfaction
- Digital wealth advice likelihood to recommend
- Financial goals, presence of a financial plan, and presence of a traditional advisor
- Current advisor services, overall satisfaction, and likelihood to recommend
- Demographics and types of savings and investment products

## COVERAGE EXTENDS TO A SPECIFIC SET OF COMPETITIVE DIGITAL ADVISORY BRANDS IN EACH MARKET

### CANADA:

- |                           |                  |                         |
|---------------------------|------------------|-------------------------|
| 1. BMO SmartFolio         | 7. Mylo          | 13. Transcend Direct    |
| 2. Wealthsimple           | 8. Nest Wealth   | 14. Responsive AI       |
| 3. RBC InvestEase         | 9. ModernAdvisor | 15. Helium Investments  |
| 4. Smart Money Invest     | 10. Justwealth   | 16. Aviso VirtualWealth |
| 5. Questwealth Portfolios | 11. Invisor      | 17. Idema Investments   |
| 6. WealthBar              | 12. Planswell    |                         |

**US:**

- |   |                                    |   |
|---|------------------------------------|---|
| 1. E*TRADE Core Portfolios              | 12. Merrill Edge Guided Investing  | 25. Wealthsimple                          |
| 2. Acorns                               | 13. Ally Invest Managed Portfolios | 26. Emperor Investments                   |
| 3. TD Ameritrade Essential Portfolios   | 14. MoneyLion                      | 27. Swell Investing                       |
| 4. Fidelity Go                          | 15. Betterment                     | 28. WiseBanyan                            |
| 5. Schwab Intelligent Portfolios        | 16. US Bank Automated Investor     | 29. Ellevest                              |
| 6. Wells Fargo Intuitive Investor       | 17. SoFi Invest                    | 30. OpenInvest                            |
| 7. Morgan Stanley Access Investing      | 18. Aspiration                     | 31. Earthfolio                            |
| 8. Vanguard Personal Advisor Services   | 19. FutureAdvisor                  | 32. Building Benjamins                    |
| 9. Stash                                | 20. Wealthfront                    | 33. Zacks Advantage                       |
| 10. T. Rowe Price ActivePlus Portfolios | 21. Personal Capital               | 34. Motif Impact Portfolios               |
| 11. USAA Managed Portfolios             | 22. Bloom                          | 35. SigFig                                |
|   | 23. Twine by John Hancock          | 36. Liftoff by Ritholtz Wealth Management |
|   | 24. AssetBuilder                   | 37. MarketRiders                          |
|   |                                    | 38. Qplum                                 |

Participants in our online surveys are sampled from carefully managed online panels of Canadian and American respondents. Though online surveying precludes reaching respondents with no Internet access, official data for Canada and US indicate that over 80% of households currently have access.

For the purposes of our WealthTech research, we screen respondents on three key criteria. First, respondents must be between the ages of 18 and 79 years old. Second, respondents must have either sole or shared responsibility for their household financial decisions. Third, respondents must not be competitively employed (e.g. they cannot work for a market research department or company).

To ensure a high level of final data quality for reporting, and before running any final tabulations or advanced analytics, we analyze response patterns to identify and remove respondents exhibiting poor response behaviors (e.g. speeding and straight-lining). To ensure good sample balance and overall representativeness, we set quotas for age group, gender, and geographic region. We then weight the final clean sample (n = 2,000 per country) to align with the respective population distributions within each country. The margin of error for percentages on a probability sample of 2,000 is +/- 2.2%.

# METHODOLOGY - CHOICE BASED CONJOINT

Unlike traditional conjoint methods, which ask respondents to rate or rank a series of products, CBC captures preferences on the basis of choice. In a CBC, respondents make selections from carefully constructed sets of products or offers. The choice tasks in CBC thus closely mimic what consumers actually do in the market. A related benefit (from a methodological standpoint) is that choosing a preferred product or offer is a simple and natural task that virtually anyone can understand.

CBC has met with great success across a wide variety of domains. Though its primary function is to measure preferences associated with product features, the results of a well-designed CBC also offer detailed insights in many other areas. Common applications of CBC include estimating brand equity, measuring price sensitivity, and predicting the market impact of new product designs (or changes to existing products).

In a typical CBC survey, respondents are shown statistically designed sets of offers and asked to choose among them. Within each choice task, respondents are free to select “None” if they find none of the offers appealing. The inclusion of a “None” option not only increases the realism of the choice context but it also provides data that can be used to estimate how changes in demand might occur due to broad-based increases or decreases in overall appeal within a category of interest.

Across multiple choice tasks and thousands of respondents, the data captured via CBC encodes individual-level preferences in terms of statistical measures known as utilities (or part-worths). The utilities can then be aggregated to understand feature preferences overall or within key subgroups of interest.

One of the main considerations when designing a CBC is the choice context. The choice context describes the specific situation in which a consumer is making decisions within the CBC. Given a choice context, the next step is to articulate the features (a.k.a. attributes) and levels that represent a deconstruction of the products or offers being studied.

In CBC, features are independent offer characteristics (e.g. brand, price). They need to be expressed concisely and in concrete language to convey clear information about the offer. Within each feature, levels must be defined in unambiguous terms to differentiate the categories (e.g. different brands) or extents (e.g. higher or lower prices) that define the feature. Levels must be mutually exclusive and (as much as possible) cover the full range of offer possibilities. It is also worthwhile to consider whether the features and levels cover offers that don’t yet exist but are of specific interest for research purposes.

The general context for the CBC discussed in this report is wealth management delivered via digitally led wealth advisors. The specific decision context for the CBC is choice among different types of digital wealth advisory offers. Given the different brands at play in Canada and the US, separate brand lists were used in the CBC designs for each country. All other features were identical.

In formulating the final features and levels for the CBC, the goal was to ensure extensive coverage of relevant considerations within the domain of digital wealth advice. For example, there are dozens of digital wealth advice brands in North America. Given such a large number of brands overall, it simply isn’t feasible to include them all within the CBC design. Instead, the goal was to ensure broad coverage of the current major players while also including brands for high-profile players yet to enter the market (e.g. CIBC in Canada, and JP Morgan in the US - though JP entered the market shortly after the study was completed).

**TABLE 1. FEATURES AND LEVELS FOR DIGITAL WEALTH ADVICE CHOICE-BASED CONJOINT**

FEATURE	LEVELS
Brand	Canada (14): BMO SmartFolio, RBC InvestEase, TD, Scotiabank, CIBC, Tangerine, Invisor, Justwealth, ModernAdvisor, Nest Wealth, Aviso VirtualWealth, Questwealth Portfolios, WealthBar and Wealthsimple  US (22): Acorns, Ally Invest Managed Portfolios, Betterment, E*TRADE Core Portfolios, Ellevest, Fidelity Go, FutureAdvisor, JPMorgan Chase, Merrill Edge Guided Investing, Morgan Stanley Access Investing, Personal Capital, Schwab Intelligent Portfolios, SigFig, SoFi Invest, Stash, TD Ameritrade Essential Portfolios, Twine by John Hancock, US Bank Automated Investor, Vanguard Personal Advisor Services, Wealthfront, Wealthsimple and Wells Fargo Intuitive Investor
Initial Investment Required	(7) None, \$100, \$500, \$1,000, \$5,000, \$10,000, ...
Annual Fee	(10) None, 0.1%, 0.2%, 0.3%, 0.4%, 0.5%, 0.6%, 0.7%, 1.0%, 2.0%
Planning Tools	Online investment goal-setting tools, Online financial planning tools, Online investment goal-setting AND Online financial planning tools, In-depth financial planning session with an advisor, Online investment goal-setting tools AND In-depth financial planning session with an advisor, Online financial planning tools AND In-depth financial planning session with an advisor, Online investment goal-setting tools AND Online financial planning tools AND In-depth financial planning session with an advisor
Advisor Support	Advisor call center available via phone, email, online chat, Advisor call center available via videoconference, phone, email, online chat, Dedicated advisor available by phone, email, or online chat, Dedicated advisor available by videoconference, phone, email, or online chat, Dedicated advisor available to meet in person or via videoconference, phone, email, or online chat
Account Transfer Fees	None, No fees for accounts over \$1,000, No fees for accounts over \$5,000, No fees for accounts over \$10,000, No fees for accounts over \$25,000
Fee Discount	None, 10% discount for accounts over \$100,000, 20% discount for accounts over \$150,000, 30% discount for accounts over \$250,000, 40% discount for accounts over \$500,000
Savings Account	(4) Not available, 1.0% interest, 2.0% interest, 3.0% interest
Other Features	None, Automatically invest spare change from debit/credit purchases, Automatically invest extra funds available in linked bank accounts, Automatically invest spare change from debit/credit purchases AND Automatically invest extra funds available in linked bank accounts
Reporting Options	Track investments against financial goals, Track investments against a financial plan View investment performance after fees, Track investments against financial goals AND Track investments against a financial plan, Track investments against financial goals AND View investment performance after fees, Track investments against a financial plan AND View investment performance after fees, Track investments against financial goals AND Track investments against a financial plan AND View investment performance after fees
Values-Based Investing Options	None, Socially responsible investing, Impact investing, Halal investing, Socially responsible investing AND Impact investing, Socially responsible investing AND Halal investing, Impact investing AND Halal investing, Socially responsible investing AND Impact investing AND Halal investing

# METHODOLOGY - ONLINE SOCIAL DISCUSSION TRACKING

Our current WealthTech social tracking program is based on comprehensive historical coverage and ongoing updates from the Twitter firehose. Though we are able to retrieve tweets in near real-time, for WealthTech reporting purposes, we focus on retrospective aggregate Twitter data summaries.

Brandwatch, our trusted data partner, gathers social data via web crawlers, direct relationships (e.g. Twitter and Gnip), and Application Programming Interfaces (APIs). We use the Brandwatch social listening analytics platform to develop and refine our social queries, examine returned mentions, analyze overall volume, and export raw data for detailed statistical analysis and modelling.

Social queries identify online documents (e.g. tweets) that mention a specific brand or topic keyword. In this sense, queries are similar to advanced Google searches but developed using a domain-specific query language in Brandwatch. The language includes a series of special operators, which allow for broad catchment and careful refinement to exclude irrelevant mentions (i.e. false positives).

We have constructed multiple advanced queries to ensure that our social data analysis is focused on the most relevant areas of the online social universe. Our general topic query comprises a set of complex keywords specific to the domain of digital wealth advice. Our brand-specific queries cover the following 17 digital wealth advice brands in Canada and 73 in the US.

## CANADA:

- |  |   |   |
|--|---|---|
| 1. Aviso (Qtrade)<br>VirtualWealth       | 8. Mylo   | 14. Smart Money Invest<br>(Smart Money Capital<br>Management) |
| 2. BMO SmartFolio                        | 9. Nest Wealth  | 15. Transcend (Transcend<br>Direct)                           |
| 3. Helium Investments                    | 10. Planswell   | 16. WealthBar   |
| 4. Idema Investments                     | 11. Questwealth Portfolios<br>(Questrade Portfolio IQ)  | 17. Wealthsimple  |
| 5. Invisor Investment<br>Management Inc. | 12. RBC InvestEase                                      |   |
| 6. Justwealth                            | 13. Responsive AI<br>(Responsive Capital<br>Management) |   |
| 7. ModernAdvisor                         |   |   |

**US:**

1. Acorns
2. Ally Invest (formerly TradeKing)
3. Aspiration
4. AssetBuilder
5. Betterment
6. Bloom
7. Building Benjamins
8. CollegeBacker
9. Covestor Smart Beta Portfolios (Interactive Brokers Asset Management)
10. E\*TRADE Core Portfolios
11. EarthFolio
12. Edelman Online (Edelman Financial Services)
13. Ellevest
14. Emperor Investments
15. Fidelity AMP
16. Fidelity Go
17. Financial Guard
18. Folio Investing
19. FutureAdvisor (BlackRock Solutions)
20. GoldBean
21. Grow Invest
22. Hedgeable
23. HedgeCoVest
24. Honest Dollar
25. Huygens Capital
26. Invescence
27. Jemstep by Invesco
28. John Hancock MyPortfolio
29. Kivalia
30. LearnVest
31. Liftoff (Ritholtz Wealth Management)
32. M1 Finance
33. MarketRiders
34. Marstone
35. Merrill Edge Guided Investing
36. Money Lion
37. Morgan Stanley Access Investing
38. Motif Impact Portfolios
39. Motley Fool Wealth Management
40. MyPlanIQ
41. NestEgg Wealth (Advisor Engine)
42. NextCapital
43. Open Invest
44. Pefin
45. Personal Capital
46. Physician Capital Partners
47. qplum
48. RBC Investor Gateway
49. Rebalance IRA
50. RobustWealth
51. Schwab Intelligent Advisory
52. Schwab Intelligent Portfolios (Schwab Blue)
53. SigFig Insights
54. Smart401k (Financial Engines)
55. SoFi Wealth Management
56. Stash Invest
57. Swell Investing
58. T. Rowe Price ActivePlus Portfolios
59. TD Ameritrade Essential Portfolios
60. TIAA Personal Portfolio
61. True Link Financial
62. Twine by John Hancock
63. US Bank Automated Portfolios (Automated Investor)
64. USAA Managed Portfolios
65. Vanguard Personal Advisor
66. Wahed Invest
67. Wealthfront
68. Wealthsimple
69. Wela
70. Wells Fargo Intuitive Investor
71. WiseBanyan
72. WorthFM (Worth Financial Management)
73. Zacks Advantage

Tweets that match the terms defined in our general query are counted as topic mentions. Tweets that match the terms defined in our brand-specific queries are counted as brand mentions. Brand-specific queries include matches for at-mentions (i.e. @brandname), hashtags (i.e. #brandname), and links to brand websites (i.e. brandname.com).

## OUR CORE TWITTER TRACKING METRICS ARE DEFINED AS FOLLOWS:

1. Unique authors. The number of distinct authors represents the most actively engaged online participants discussing digital and automated wealth management.
2. Volume. The number of brand or topic mentions is our key basis measure of online discussion activity.
3. Impressions (Twitter). Impressions represent the total potential number of viewers (i.e. reach) for a mention. Twitter impressions are calculated as the sum of all followers of users who tweeted or retweeted a mention.
4. Retweets (Twitter). The number of times a mention has been retweeted captures a stronger form of engagement compared to simple impressions because a retweet requires action on the part of a Twitter user.

Though we are currently focused on high-frequency social data from Twitter, a future report in our WealthTech Research & Advisory series will include topic and brand mentions from additional social data sources (e.g. blogs and forums).

# UPCOMING RESEARCH

The 2019 iteration of ParameterInsights' WealthTech Research and Advisory Service expanded to cover new consumer survey topic areas and more brands in Canada and the US in relation to a broadening category definition for digital wealth advice.

Future editions of our WealthTech Research & Advisory Service: Digital Advice will cover the following topics:

Attitudinal segmentation refresh: how do changes in high-level attitudes toward investing and wealth management manifest as attitudinal consumer segments in North America? How do attitudinal segments align with digital advice preference groups?

Category loyalty: what are the key drivers of digital advice overall satisfaction and likelihood to recommend? How are the drivers changing on a year-over-year basis as the category matures?

Social chatter and digital authorship: how are top digital wealth advice brands generating buzz and who's winning the war for online attention? What are the demographic characteristics and top interests of authors on social media?

# SUPPLEMENTARY MATERIAL

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We build data, analytics, and research products that help willing innovators navigate the rapidly changing financial technology landscape and grow.

Our experienced team of consultants, data scientists, marketers and product experts partner with financial services leaders to solve problems related to digital strategy, growth, and analytics - affordably, quickly and optimally.