PARAMETER INSIGHTS

WEALTHTECH RESEARCH & ADVISORY SERVICE:

DIGITAL ADVICE

FOURTH INSTALLMENT 2019 SERIES

Signs of a Digital Reckoning for Wealth Management? Key consumer segments are increasing their engagement

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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.
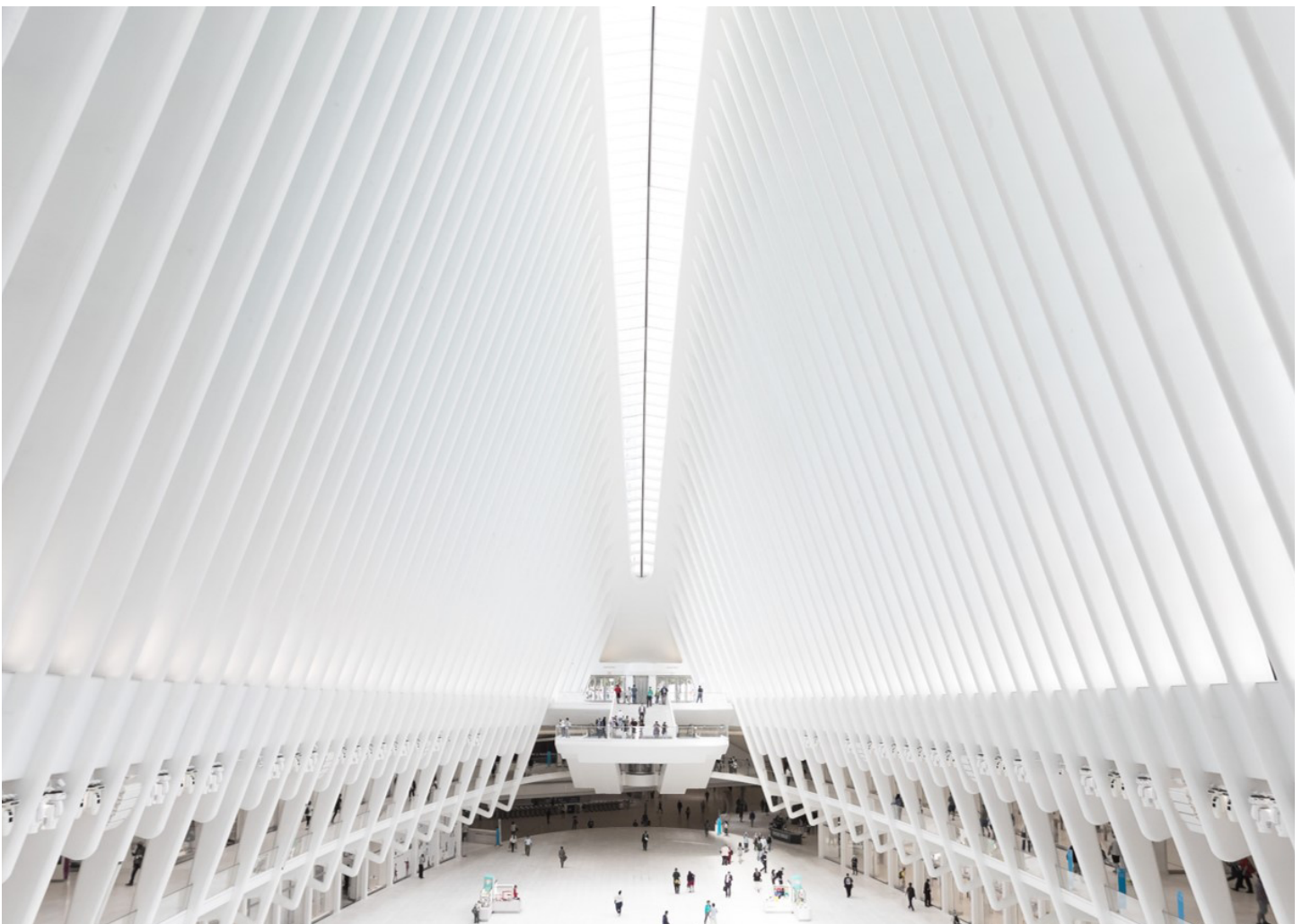
ABOUT PARAMETERINSIGHTS

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.

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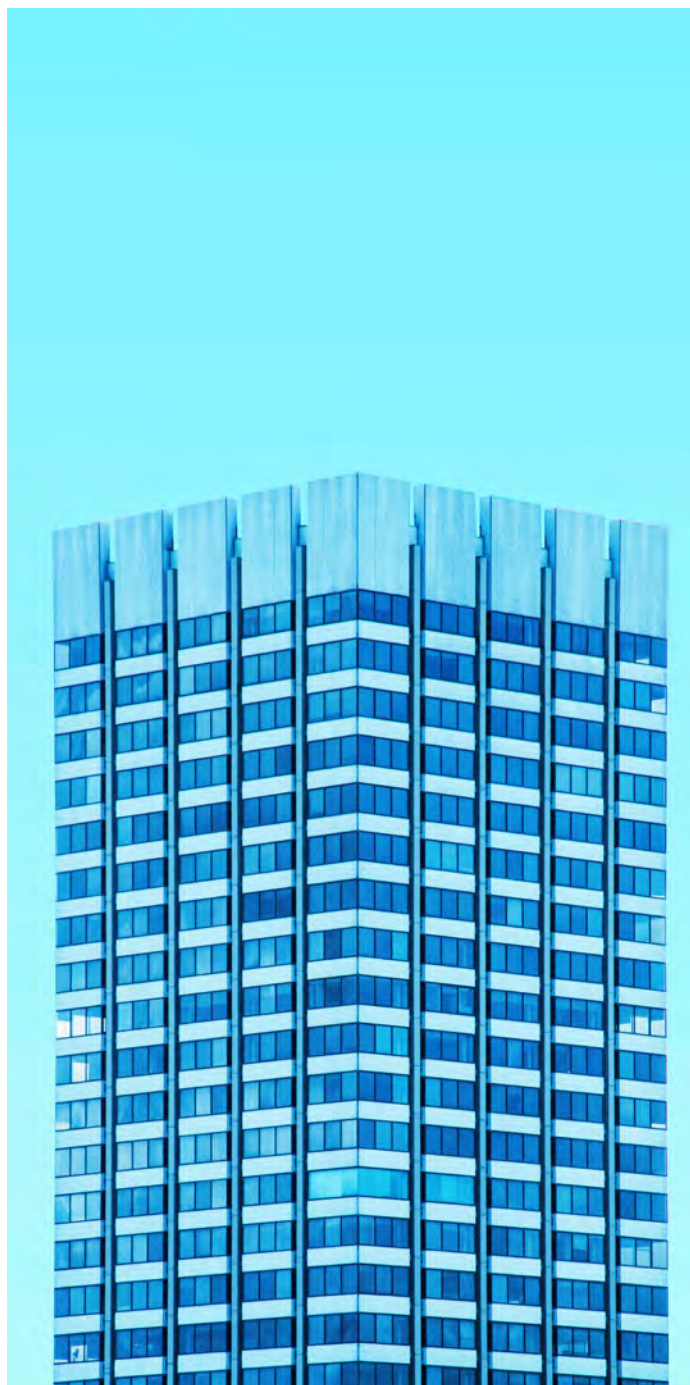
EXECUTIVE SUMMARY:

Improving Attitudes

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 wealth management services understand the internal motivations of potential clients and their preferences for consuming wealth advice either digitally led or in a more modernized advisor led service. The insights gleaned can be brought to bear directly on strategic choices related to product and marketing decisions.

The fourth and final installment of ParameterInsights' 2019 WealthTech: Digital Wealth Advice Research and Advisory Service provides an in-depth analysis of digital advice engagement and loyalty among attitudinal consumer segments in North America. Brand awareness, usage, category satisfaction, and net promotion are examined from the standpoint of target segments in Canada and the US. Interest in digital investing offers from big tech firms is also examined for target attitudinal segments.

FEATURE:
IMPROVING ATTITUDES TOWARD DIGITAL ADVICE

The feature section provides a comprehensive look at shifts in attitudes and trends in engagement and loyalty for target consumer segments in North America. Strategic implications are discussed in terms of driving further engagement in the category.

Question: How are changes in consumer attitudes driving shifts in target consumer segments?

Answer: Changes in key consumer attitudes toward digital wealth management are......Subscribe to get access to the data and insights.

Question: How are engagement and loyalty measures trending among target consumer segments?

Digital advisory brand awareness and usage ......Subscribe to get access to the data and insights.

Results in the US ......Subscribe to get access to the data and insights.

Results indicate that firms are ......Subscribe to get access to the data and insights.

Competition is escalating as the quality and breadth of digital wealth management services continues to improve. To win, digital advisory firms must ......Subscribe to get access to the data and insights.

SPOTLIGHT:
BIG TECH OFFERS HAVE STRONG APPEAL AMONG TARGET SEGMENTS

This section provides an examination of target segment propensity to engage with big tech firms if they were to offer options for digitally led savings and investing.

Question: How likely are target segments to sign up for digital investing offers from big tech firms?

Answer: Intent is ......Subscribe to get access to the data and insights.

In Canada, interest in big-tech investing offers is ......Subscribe to get access to the data and insights.

Big-tech offer interest in the US is ......Subscribe to get access to the data and insights.

Question: What impact does digital advice engagement have on intent to sign up for digital investing offers from big tech firms?

Answer: A very strong engagement effect is present in both countries. Intent to sign up for digital investing offers from big tech firms is ......Subscribe to get access to the data and insights.

Boundaries are blurring between traditional financial institutions and the broader tech ecosystem. Big tech companies in North America are already providing some financial services, and they are all masterful at influencing consumer behavior. If any of these firms were to enter the market for digital advice, would the upstarts be able to survive? What about digital advice offers, or traditional advisor led offers for that matter, from the incumbents?

SOCIAL TRACKING:
ONLINE DISCUSSION VOLUME AND IMPRESSION DRIVERS

The final section of this report presents social tracking metrics related to online discussions of digital wealth management from Q1 through Q4 2019.

Questions: How has online social dialogue about digital wealth management unfolded in Q4 2019 compared to the past three quarters? How are top brands driving online impressions?

Answer: Online discussion for this comparatively niche area of wealth management ......Subscribe to get access to the data and insights.

Question: What was the overall sentiment of online discussion of digital wealth management in Q4 2019 compared to the past three quarters?

Answer: Sentiment continues to be largely ......Subscribe to get access to the data and insights.

Brand-related sentiment in Canada was ......Subscribe to get access to the data and insights.

Brand-related sentiment in the US was......Subscribe to get access to the data and insights.

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FEATURE

Improving Attitudes
Toward Digital Advice

Market segmentation is integral to the success of any consumer-facing business. Attitudinal customer segmentation, a type of segmentation based on psychographics, provides an especially strategic market overlay to guide tactical planning and execution. Segment-based personas can be used to define customer journeys and thus represent a core component of customer-centric product and service design. Marketing-savvy firms also use attitudinal segmentation to entice new customers and encourage desirable actions among existing clients.

Firms that take a differentiated approach to the market are well-positioned to capitalize in areas where competition is weak. Statistical segmentation provides a data-driven basis for firms to align products and services with distinct consumer groups. Armed with the insights from a statistical segmentation, firms can drive brand engagement and increased loyalty while ensuring that important business issues are addressed early and often.

Attitudinal segmentation divides consumer markets on the basis of similarities and differences in attitudes, interests, preferences, and values. In the context of digital wealth management, the attitudinal themes of strategic importance to executives include comfort in digital channels, perceived value of financial advice, personal financial outlook, understanding of financial services, and preferences for investing.

Examining psychographic consumer data over time allows managers to identify shifts and trends relevant to ongoing product and marketing decisions. Firms are then able to shift focus as needed to stay in alignment with changing consumer interests and preferences. Table 1 shows that year-over-year changes in key consumer attitudes toward investing are favorable for the wealth management category. Consumers in both Canada and the US are leaning more toward investing with an increased appetite for risk. At the same time, they are generally feeling more confident and knowledgeable about their finances, and less confused by wealth management products and services in general.

TABLE 1. YEAR-OVER-YEAR SHIFTS IN CONSUMER ATTITUDES IN CANADA AND THE US

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SPOTLIGHT

Big Tech Offers Have Strong
Appeal among Target Segments

The latter half of 2019 saw three of the biggest North American tech companies make splashes in financial services. Apple partnered with Goldman Sachs to launch Apple Card, Google announced partnerships involving "smart checking accounts" with Citigroup, and Facebook launched Facebook Pay. More recently, Amazon revealed a deal in the works with Goldman Sachs to offer small business lending services through Amazon's lending platform.

In an ongoing effort to optimize the digital experience for merchants and customers, Amazon has already implemented many core components of the modern bank. With established services in payments, cash, and lending (and many others), the firm is well-positioned to expand further into other areas of financial services. Relatively recent experiments, such as Amazon Protect in the UK and Amazon Go in the US, represent initial forays into insurance and retail. Some would argue, however, the firm's apparent retail gambit is better characterized as another payments play.

Big-tech incursions into the financial ecosystem naturally lead to thinking about what might be next and how any future moves would impact upstarts and incumbents already competing for deposits in the digital advisory space. For example, how likely would consumers be to sign up for digital investing offers from the Google, Amazon, Apple, and Facebook?

Figure 9, which recaps data covered in the previous installment of this reporting series, shows that intent is relatively strong in North America. It also shows that consumers are more interested in offers from Google and Amazon than Facebook and Apple.

FIGURE 9. INTEREST IN DIGITAL INVESTING OFFERS FROM TECH GIANTS IN CANADA AND THE US

Google
10.8%
17.4%

Amazon
8.7%
18.5%

Facebook
6.3%
11.8%

■ Canada ■ US

Apple
7.2%
12.8%
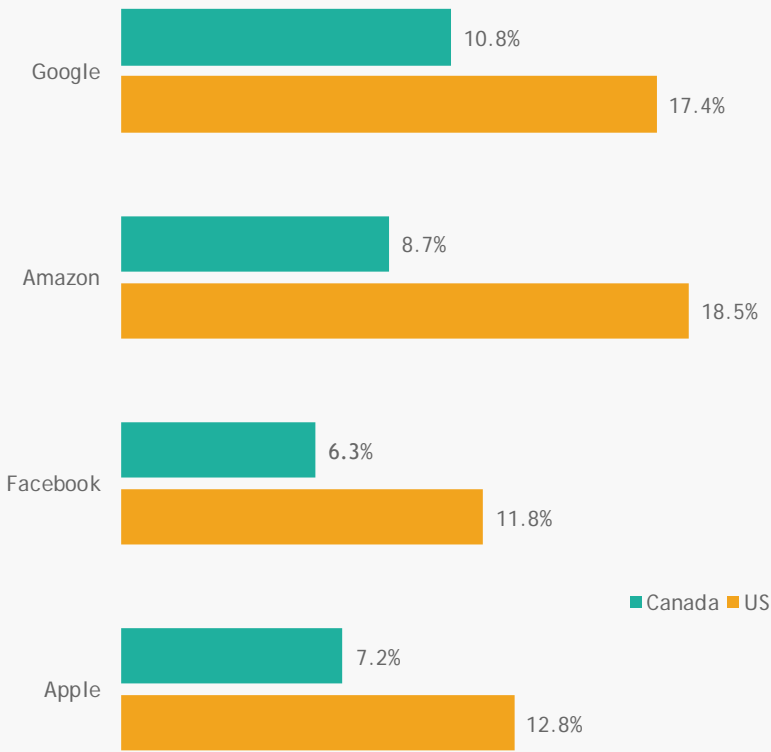
Data source: ParameterInsights Consumer Survey.

It's no surprise that upstarts and incumbents alike are concerned with big tech encroachment in financial services. In the context of digital wealth management, would big-tech offers appeal more or less to consumers already engaged in the space? Figures 10 and 11 show ......Subscribe to get access to the data and insights.

FIGURE 10.

INTEREST IN DIGITAL INVESTING OFFERS FROM TECH GIANTS BY DIGITAL ADVICE ENGAGEMENT IN CANADA

FIGURE 11.

INTEREST IN DIGITAL INVESTING OFFERS FROM TECH GIANTS BY DIGITAL ADVICE ENGAGEMENT IN THE US

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SOCIAL TRACKING

Online Discussion Volume and Impression Drivers

SOCIAL TRACKING

Online Discussion Volume of Digital Wealth Advice

An examination of online social discussion augments the survey-based analysis of the digital wealth advisory market. High-frequency social media data provides a good proxy for tracking awareness at a low level of discussion and at fine intervals over time.

Social data reporting requires the use of proprietary tools and algorithms to retrieve and analyze discussions on Twitter, which produces a volume of returned mentions large enough to allow for deep thematic exploration with standard discussion metrics tracked in daily increments. Such granularity in the data allows for examination of how market events impact patterns and trends over time. At the same time, daily data series are easily aggregated to reveal how trends evolve for top brands on a monthly basis.

This section contains a summary of social tracking data covering the trailing 12 months to the end of Q4 2019 (i.e. January 1, 2019 through December). Standard discussion indices include:

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 an action on the part of a Twitter user.

To provide market-specific insights, and because of the disparity in relative market size, social discussion metrics are tracked and calculated separately for Canada and the US. Social discussion is captured in terms of general topic-related mentions and brand-related mentions. Topic-related mentions refer to documents (i.e. tweets) that match a single brand-agnostic general query, which is comprised of carefully selected digital wealth management search terms linked by a series of logical operators. By contrast, brand-related mentions refer to documents that match one or more brand-specific queries in a comprehensive set covering firms in the Canadian and US markets.

Topic-related mentions provide one assessment of overall aggregate social discussion. The second overall assessment is obtained by summing across mentions returned for the complete set of brand-specific queries (17 for Canada and 73 for the US – see Methodology for complete details). The returned mentions for the brand-specific queries also form the basis for all subsequent detailed exploration into social data. An overview of brand- and topic-related sentiment completes the coverage for this report.

FIGURE 16. DIGITAL WEALTH BRAND- AND TOPIC-RELATED SOCIAL DISCUSSION VOLUME IN CANADA

APPENDIX

UPCOMING RESEARCH

We are thrilled to deliver the 2020 version of our Wealth Management Research program which is currently in-field. The 2020 iteration of ParameterInsights' WealthTech Research and Advisory Service expanded to look at the broader wealth management category as firms, both traditional and digital alike seek to innovate and modernize.

ParameterInsights' Research topics, now must have data and insights for wealth management executives, such as our attitudinal consumer segment solutions for modern wealth management services; brand loyalty analysis; wealth management feature optimization and drivers analysis and choice based study will all be refreshed for 2020 reporting.

The coverage will also seek to delve more in to the ways traditional advisor businesses should adapt to an ever changing consumer landscape. We look forward to providing you the most comprehensive consumer data and lens to the evolving wealth management landscape in 2020.

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

US:

1. E*TRADE Core Portfolios
2. Acorns
3. TD Ameritrade Essential Portfolios
4. Fidelity Go
5. Schwab Intelligent Portfolios
6. Wells Fargo Intuitive Investor
7. Morgan Stanley Access Investing
8. Vanguard Personal Advisor Services
9. Stash
10. T. Rowe Price ActivePlus Portfolios
11. USAA Managed Portfolios
12. Merrill Edge Guided Investing
13. Ally Invest Managed Portfolios
14. MoneyLion
15. Betterment
16. US Bank Automated Investor
17. SoFi Invest
18. Aspiration
19. FutureAdvisor
20. Wealthfront
21. Personal Capital
22. Blooom
23. Twine by John Hancock
24. AssetBuilder
25. Wealthsimple
26. Emperor Investments
27. Swell Investing
28. WiseBanyan
29. Ellevest
30. OpenInvest
31. Earthfolio
32. Building Benjamins
33. Zacks Advantage
34. Motif Impact Portfolios
35. SigFig
36. Liftoff by Ritholtz Wealth Management
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 - 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) VirtualWealth
2. BMO SmartFolio
3. Helium Investments
4. Idema Investments
5. Invisor Investment Management Inc.
6. Justwealth
7. ModernAdvisor
8. Mylo
9. Nest Wealth
10. Planswell
11. Questwealth Portfolios (Questrade Portfolio IQ)
12. RBC InvestEase
13. Responsive AI (Responsive Capital Management)
14. Smart Money Invest (Smart Money Capital Management)
15. Transcend (Transcend Direct)
16. WealthBar
17. Wealthsimple

US:

1. Acorns
2. Ally Invest (formerly TradeKing)
3. Aspiration
4. AssetBuilder
5. Betterment
6. Blooom
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. Invessence
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).

SUPPLEMENTARY MATERIAL

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