



FinTech Wealth Research & Advisory Service

SECOND INSTALLMENT 2018 SERIES

All is Not as it Seems: Loyalty Drivers in the US
Digital Advisory Market

About ParameterInsights' FinTech Wealth 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.

Our FinTech Wealth Research & Advisory Service benchmarks and tracks consumer insights related to automated digital wealth management. Our reports provide timely and relevant analyses that surface unmet needs, evaluate current market participants, and provide in-depth discussion and implications of key results.

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: All is Not as it Seems

Digital delivery of wealth management is rapidly evolving. In the face of such change, it is imperative that firms bring reliable and comprehensive data to bear on decisions related to forward-looking strategic choices.

Disruption doesn't occur overnight but rather over long stretches filled with pivots, adjustments, and innovations that coalesce in the form of winning business models. This relatively drawn-out progression incites a cognitive bias among nervous executives, pushing them to rush towards the latest technological developments in fear of missing out or becoming irrelevant. Later, as the pace slows and the once-imminent sea change remains on the seemingly distant horizon, the challenge becomes one of maintaining focus and commitment. Upstarts and incumbents that stagnate, however, will ultimately be disrupted by firms that continue to invest in new and innovative ways to delight consumers.

This second installment in the 2018 FinTech Wealth Research and Advisory Service showcases many interesting findings. Strategic implications are provided for executives grappling with the ever-shifting set of challenges in digital wealth management.

FEATURE: CATEGORY SATISFACTION AND NEW DIGITAL LOYALTY OPPORTUNITIES

The feature section provides a comprehensive update on overall and feature-specific category satisfaction. Results are discussed at the overall market level with strategic implications discussed in the context of driving category loyalty.

Consumers increasingly value digital experiences more than transactions. Though the modern consumer journey rarely begins and proceeds on a linear trajectory, it inevitably includes points of discovery, exploration, and engagement. At every point, savvy firms are capturing data and applying predictive analytics to optimize experiences and direct the journey. Over time, the most successful firms are able to convert interested prospects into strong proponents of the offer.

Question: How has digital wealth satisfaction changed over the past year and what are the current opportunities for firms to drive loyalty?

Answer: Digital advisory clients in the US... [subscribe to access full text]

SPOTLIGHT: THE ADVISOR EFFECT ON DIGITAL WEALTH MANAGEMENT

This section provides a detailed discussion of how engagement with traditional advisors impacts digital brand usage, consideration, and satisfaction in the US.

As investors explore alternatives to traditional asset management, financial advisors are actively seeking ways to adapt to the changing needs and desires of consumers. Many firms are already engaged in the battle to control the advisor desktop. The net result is a rapidly shifting landscape in which wealth management products and services are delivered to a variety of consumers in a variety of ways.

To maintain relevance in an increasingly digitized space, traditional advisors are incorporating digital functionality into their offers and workflows. The most basic advisor-focused digital offers facilitate client onboarding and management. They also provide advisors with cost-effective portfolio solutions to offset or supplement more complex client needs.

Question: What impact does the traditional financial advisor have on digital wealth consumer engagement?

Answer: The data shows dramatic evidence of... [subscribe to access full text]

SOCIAL TRACKING: ONLINE DISCUSSION TRACKING AND SENTIMENT

The final section of this report presents social tracking metrics related to online discussions of digital wealth management from Q3-Q4 2017 through Q1-Q2 2018.

Questions: How has online social dialogue about digital wealth management unfolded in Q2 2018 compared to the last three quarters? How are top brands driving online impressions?

Answer: Online discussion volume remains... [subscribe to access full text]

Question: What was the overall sentiment of online discussion of digital wealth management in Q2 2018 compared to the last three quarters?

Answer: Sentiment continues to be largely... [subscribe to access full text]

Introduction

Financial Technology, or FinTech, describes technology used by firms to deliver financial services over the Internet. Popular services include payments processing, loan sourcing and distribution, investment management, financial and tax planning, and wealth advice.

In the US, some of the more popular FinTech companies are rapidly becoming household names. Companies like Paypal and Square, Prosper and Lending Club, and Wealthfront and Betterment have become well-known brands within their respective categories.

In an effort to bolster wealth management business units with digital capabilities, some incumbents have built new offers to compete whereas others have implemented white-label solutions or forged partnerships with established digital advisory platforms (e.g. UBS, Wells Fargo, and Citizens Financial Group partnering with SigFig).

The evolving digital wealth ecosystem increasingly encroaches on domains traditionally dominated by large financial institutions. As such, the road ahead is not an easy one for the challengers. Start-ups may be able to set strategy and make tactical choices in a relatively nimble manner but those same start-ups cannot benefit from the many advantages readily available to incumbents: large existing client bases, technological infrastructure, long-standing strategic relationships, and economies of scale.

The net result is a highly varied market. From the point of view of the incumbents, the potential for scale among the challengers portends the type of disruption that has already occurred in other markets (think Airbnb and Uber). All the while, media hype and laudatory articles in the business press do little to assuage concerns.

ParameterInsights' FinTech Wealth Research & Advisory service cuts through the noise by combining deep market knowledge with rigorous consumer survey data and comprehensive social media tracking. This report is divided into three sections. Each section contains research results and managerial implications for the digital wealth advisory market in relation to the following questions:

1. How has digital wealth satisfaction changed over the past year and what are the current opportunities for firms to drive loyalty?
2. What impact does the traditional financial advisor have on digital wealth consumer engagement?
3. How has online social dialogue about digital wealth management unfolded over the past year and what was the overall sentiment?

Feature: Category Satisfaction and New Loyalty Opportunities

A central challenge facing digital wealth advisory firms is that potential clients are not only comparing among digital wealth advisory offers (and traditional wealth advice) but they're also comparing to the best digital experiences they've encountered across verticals. Consequently, touchpoint consistency, especially for digital consumer touchpoints, is paramount. All the while firms must continue to drive awareness and brand familiarity via relevant channels with simple messaging that emphasizes meaningful differentiation.

It is now a truism that digital content in any vertical must be engaging enough to capture attention during increasingly ephemeral online encounters with brands. Recent work in ParameterInsights' Customer Acquisition practice has shown that consumer attention needs to be captured and held within the first six seconds of exposure to digital content or engagement will be lost.

Consumers value experiences more than transactions in the digital space. Though the digital consumer journey rarely begins and proceeds in a linear funnel-like manner, it inevitably includes points of discovery (e.g. comparison shopping), exploration (e.g. researching reviews and testimonials), engagement (e.g. sign-up/on-boarding), and evangelism (e.g. sharing branded content).

At every point in the journey, savvy firms are capturing data and applying predictive analytics to optimize experiences and direct the journey. During the discovery step, effective techniques include consumer segmentation, lead scoring, and customer acquisition modeling. During exploration, firms should be optimizing offer content via A/B or multivariate testing. As the consumer moves into engagement, techniques like propensity scoring, valuation modeling, and next-best-actions can all be applied. Once brought into the fold, however Figure 1 shows that clients of digital wealth management firms are... [subscribe to access full text]

Spotlight: The Advisor Effect on Digital Wealth Management

The digital wealth management market continues to grow as consumers actively explore alternatives to traditional asset management. The process of exploration exposes potential investors to a wide variety of offers from a multitude of digital wealth brands. At the same time, traditional human advisors feel the increasing pressure of digital encroachment and are actively seeking ways to adapt to the changing needs and desires of consumers.

Many firms are already engaged in the battle to control the advisor desktop. Offers are being deployed by incumbent wirehouses and RIA businesses in the US. For example, SigFig and Betterment for Advisors are two white-labelled and highly customizable digital wealth solutions competing with traditional advisor service providers like Envestnet, TD Ameritrade, and InvestCloud.

As partnerships are struck between traditional wealth advice businesses and digital platform providers, asset managers are re-thinking distribution and building direct-to-consumer solutions and technologies to enable existing advisor networks. The result is a rapidly shifting landscape in which wealth management products and services are delivered to a variety of consumers in a variety of ways. The key for firms embarking on such initiatives, however, is to approach the evolution as the formation of a new and integrated digital business rather than deploying a collection of product or service innovations.

To maintain relevance in an increasingly digitized space while mitigating some of the competitive advantages associated with digitally delivered advisory services, traditional advisors are increasingly incorporating digital functionality into their offers and workflows. At the most basic level, advisor-focused digital offers facilitate client onboarding and ongoing client management, while also providing advisors with cost-effective automated portfolio options to offset or supplement more complex client needs.

Table 1 shows that... [unsubscribe to access full text]

Social Tracking: Online Discussion Volume and Sentiment

An ongoing 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..

This section contains a summary of social tracking data covering the trailing 12 months to the end of Q2 2018 (i.e. July 1, 2017 through June 30, 2018). Standard discussion indices include the following:

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.

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 US market.

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 (63 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.

In the US, brand-related volume is typically... [subscribe to access full text]

Appendices

Research Context

As an industry, digital wealth management 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 FinTech Wealth consumer survey covers the following content areas:

- Types of savings and investment products
- Percentage of assets in investments vs. savings
- Attitudes toward investing and digital wealth management
- General familiarity with the concept of digital wealth management
- Unaided and aided brand awareness
- Brand usage and user tenure
- Brand usage frequency and preferred device type
- Brand consideration and barriers to digital adoption
- Digital brand pain points
- Overall and feature-specific satisfaction
- Likelihood to recommend (i.e. Net Promoter Score)
- Sources of financial advice
- Financial goals
- Presence of a financial plan
- Presence of a financial advisor and advisor intent/intent to continue
- Future advisory needs and current advisor services
- Advisor satisfaction and relevance
- General/traditional and social media usage
- Demographics

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

For the purposes of our FinTech wealth 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 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) to align with the respective US population distribution. The margin of error for percentages on a sample of 2,000 is +/- 2.2%.

Consumer survey brand coverage extends to a specific set of competitive digital advisory firms in the US market:

- | | | |
|---------------------------------------|---|---|
| 1. Betterment | 15. Hedgeable | 28. Merrill Edge Guided Investing |
| 2. LearnVest | 16. Ally Invest Managed Portfolios | 29. Wells Fargo Intuitive Investor |
| 3. Wealthfront | 17. Bloom | 30. Morgan Stanley Access Investing |
| 4. Motif Investing | 18. Motley Fool Wealth Management Personal Portfolios | 31. Fidelity AMP (Automated Managed Platform) |
| 5. Vanguard Personal Advisor Services | 19. HedgeCoVest | 32. USAA Managed Portfolios |
| 6. FutureAdvisor | 20. Rebalance IRA | 33. US Bank Automated Portfolios |
| 7. Aspiration | 21. E*TRADE Adaptive Portfolio | 34. TD Ameritrade Essential Portfolios |
| 8. Personal Capital | 22. Liftoff by Ritholtz Wealth Management | 35. Financial Guard |
| 9. Assetbuilder | 23. Stash | 36. MarketRiders |
| 10. Schwab Intelligent Portfolios | 24. Ellevest | 37. Wealthsimple |
| 11. Schwab Intelligent Advisory | 25. SoFi | |
| 12. Acorns | 26. Earthfolio | |
| 13. SigFig | 27. Helium Investments | |
| 14. WiseBanyan | | |

Methodology - Online Social Discussion Tracking

Our current FinTech Wealth 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 FinTech Wealth reporting 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 like Google searches developed using a domain-specific query language. 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 management. Our brand-specific queries cover 64 brands in the US (see list below).

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 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.

We are actively developing a series of interactive and customizable FinTech data dashboards. Each dashboard will allow subscribers to select, track, and analyze social activity for specific brands and topics over time. Our first dashboard will cover digital wealth management, thus providing a complementary hands-on tool to support deeper investigation into online social discussion of digital wealth in the US.

US brand coverage:

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

Upcoming Research

The 2018 iteration of ParameterInsights' FinTech Wealth Research and Advisory Service has expanded to cover more consumer survey topic areas and more brands in the US in relation to a broadening digital wealth category definition.

Future editions of our FinTech Wealth Research & Advisory Service report will cover the following topics:

- General category engagement: what are the most popular sources of financial information? What are the top financial goals of consumers and how do these differ by demographics and attitudinal segments?
- Digital brand usage: what are the key attitudinal drivers of digital engagement? What are the key attitudinal and demographic differences between users and non-users of digital wealth management products and services?
- Digital brand loyalty part two: Which features of digital wealth management platforms are the strongest drivers of likelihood to recommend?
- 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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Website: www.ParameterInsights.com

General inquiries should be directed to: info@parameterinsights.com.

For inquiries regarding subscriptions, please contact Josh Book (416-809-3671) or send an email to: sales@parameterinsights.com.

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