

# WEALTHTECH RESEARCH & ADVISORY SERVICE: DIGITAL ADVICE

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## THIRD INSTALLMENT 2019 SERIES

Harbinger of Change? Shifting loyalty trends for digital wealth advice in an age of big tech encroachment

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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.

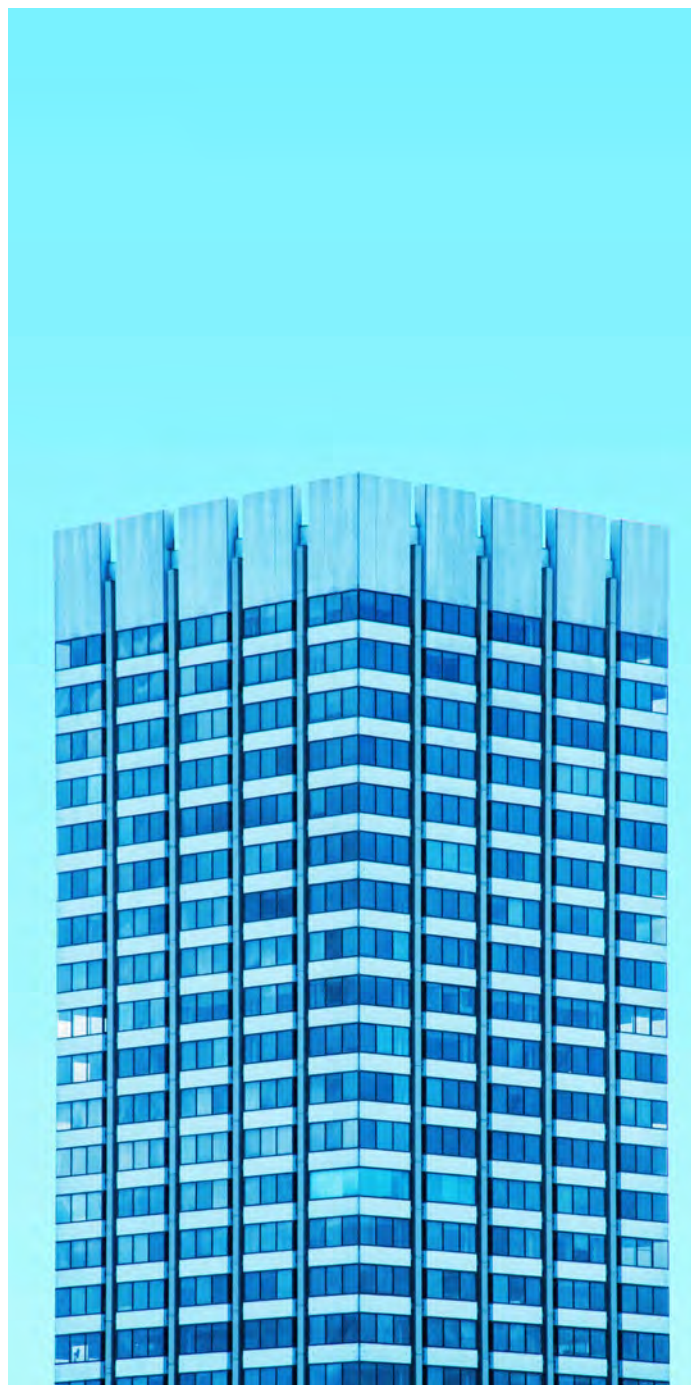
Though digital advisory services were born into the US market in 2008, brands are still building overall awareness as the market matures.

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:

Harbingers of Change?





# 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 or overseeing the modernization of traditional advice channels 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 third installment of ParameterInsights' 2019 WealthTech: Digital Wealth Advice Research and Advisory Service provides an in-depth analysis of consumer loyalty within the space of wealth advice. Category satisfaction, net promotion, and the relative importance of platform features are examined from the standpoint of consumers in Canada and the US.

# FEATURE: SHIFTING LOYALTY IN DIGITAL WEALTH ADVICE

The feature section provides a comprehensive look at trends in category loyalty measures and an in-depth assessment of loyalty drivers. Strategic implications are discussed in the context of evolving category engagement.

## Question: How are key digital advice loyalty measures trending among consumers?

Answer: Category loyalty measures are generally strong for digital wealth advice in North America in 2019 though scores have fluctuated over the past few years. *Subscribe to gain access to the data and insights.....*



## Which digital advice platform features are the strongest drivers of satisfaction?

The total client base for digital wealth advice is evolving but not yet representative of consumers in general. It is therefore essential to analyze the drivers at regular intervals to understand how they are changing over time.

In Canada, the top driver of category satisfaction in 2019 is ....*Subscribe to see data and insights*



## Which digital advice platform features are the strongest drivers of recommendation?

In 2019, satisfaction.... *Subscribe to gain access to data and insights*



## SPOTLIGHT: BIG TECH... DABBLING OR PREPARING TO DISRUPT?

This section provides an examination of consumer propensity to engage with big tech firms if they were to offer options for digital investing.

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

Answer: Consumer intent to engage with big tech investing offers is.....*Subscribe to gain access to the data and insights*



## 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 Q4 2018 through Q4 2019.



**Questions:** How has online social dialogue about digital wealth management unfolded in Q3 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 remains....*subscribe to gain access to the data and insights*

**Question:** What was the overall sentiment of online discussion of digital wealth management in Q3 2019 compared to the past three quarters?

Answer: Sentiment continues to be....*subscribe to gain access to the data and insights*



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

**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.