January 8, 2018

TRANSPARENCY, NOT LOW FEES, DRIVES CONSUMER LOYALTY FOR DIGITAL WEALTH PROVIDERS

by Josh Book

While it is generally true that digital wealth advice platforms offer investment management services at a lower cost than traditional advisor-based services, it would be false to jump to the conclusion that these lower fees are the most important factor in driving consumer loyalty.

ParameterInsights research shows that the key drivers of consumer loyalty and engagement of digital wealth advice centres on transparency. Specifically, brands that are best able to showcase a transparent relationship between fees and performance stand to gain the most – not merely those with the lowest fees.

Low fees, taken singularly are not the driving force as is often suggested. There are other factors that are driving loyalty to digital wealth management brands.

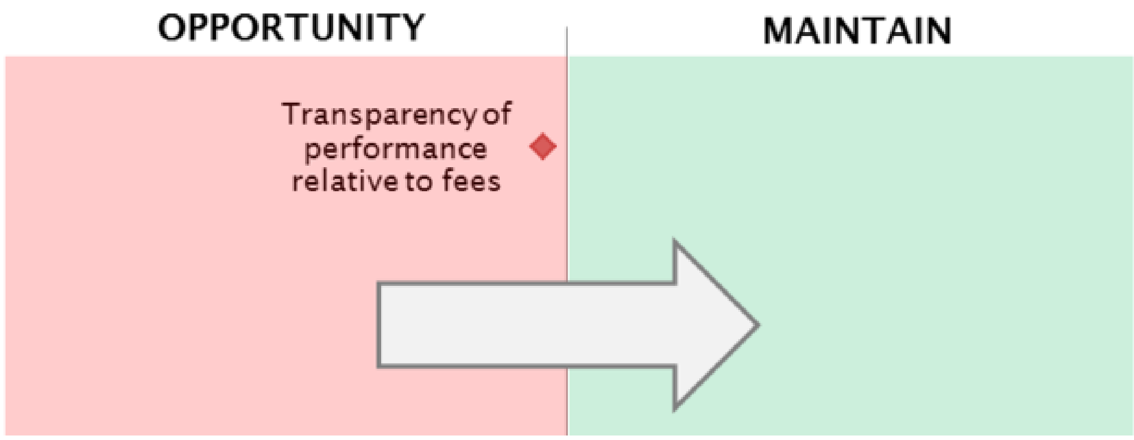
In Canada, consumers value the ability to communicate with a “live” person, as well as a breadth of related services, such as financial planning and portfolio modelling based on personal interests or values, eg. environmental sustainability.

In the US, consumers are also responsive to innovative account and performance reporting – which is closely related to the fee transparency factor.

THERE ARE THREE KEY OPPORTUNITIES FOR CANADIAN DIGITAL WEALTH BRANDS TO IMPROVE LOYALTY

ParameterInsights' WealthTech Strategic Quadrant for Canada points to three key opportunities which digital wealth brands can focus on to build consumer loyalty. Firms that can innovate and deliver tangible performance improvements in fee transparency, service breadth, and providing a human connection stand to gain the most.

At the same time, firms providing a highly satisfying online experience should realize that further investments in this area aren’t yet likely to result in great benefits in terms of overall customer satisfaction. Instead of investing further in the online experience, resources would be better allocated towards improving performance on the above three key features.



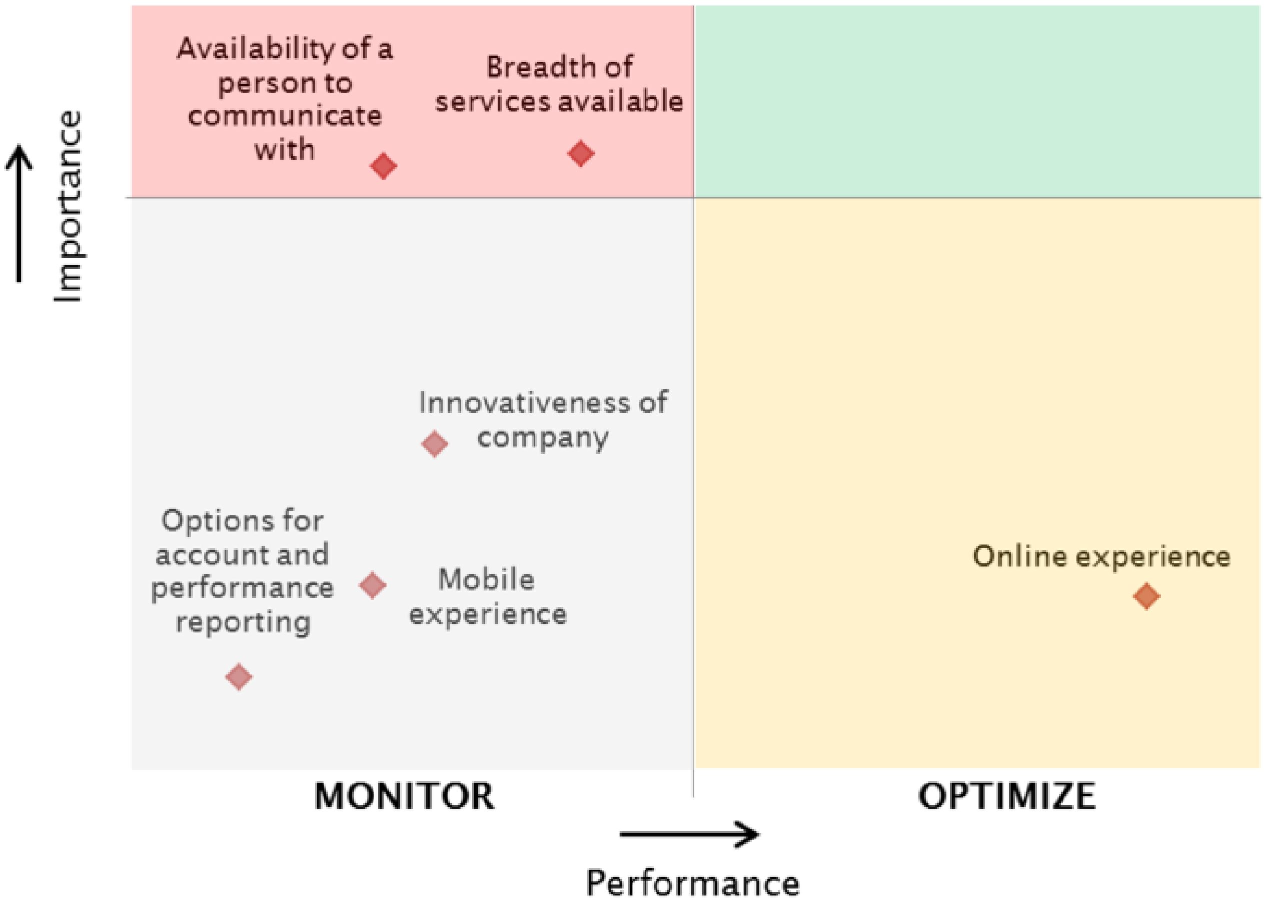


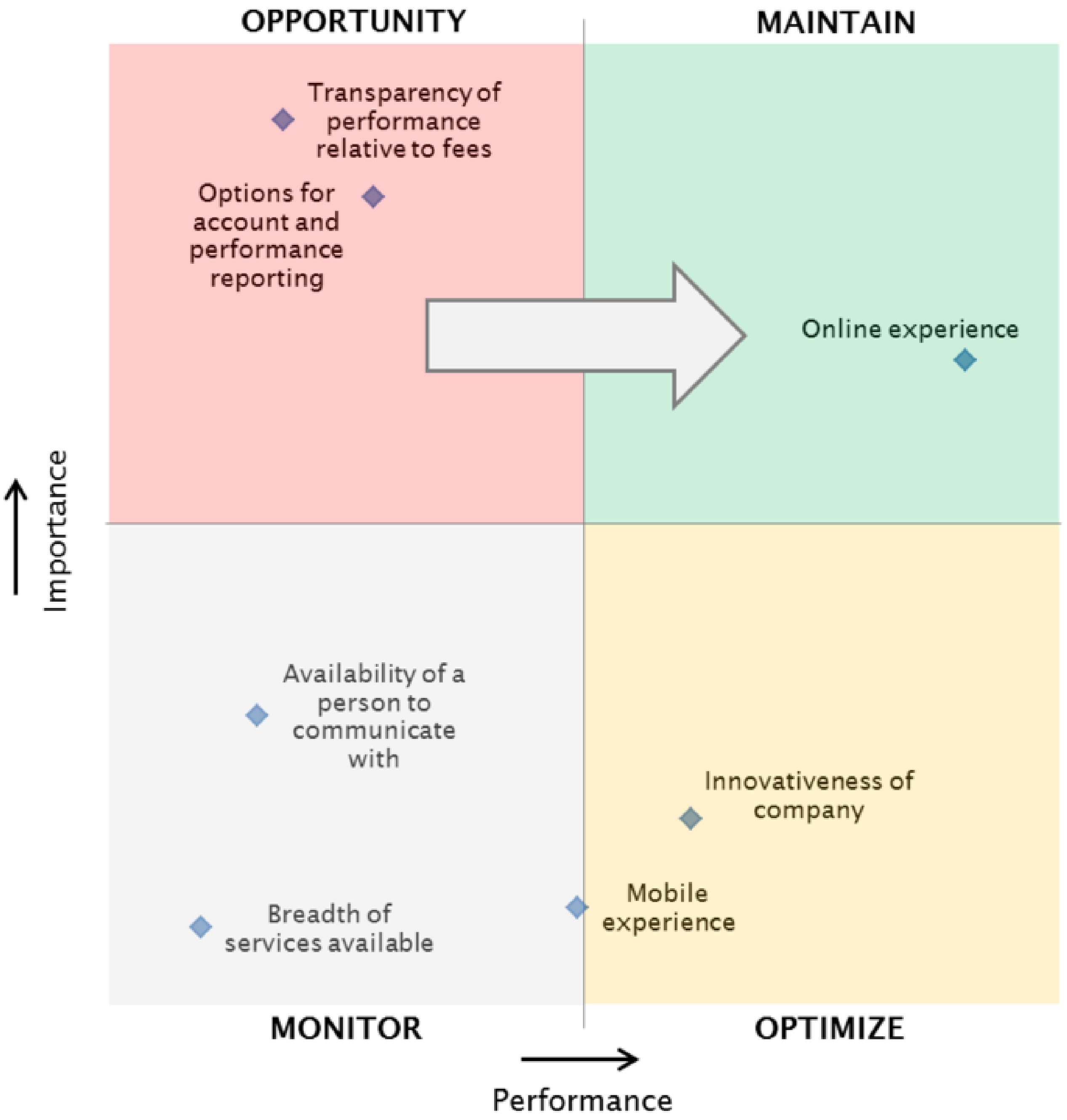
Figure 1: ParameterInsights WealthTech Strategic Quadrant - Canada

Canadian consumers aren't YET demanding greatness from digital wealth advice platforms' reporting capabilities, mobile experience, and perceived company innovation. Below average performance in these areas isn’t generally a risk for brands because these features are less important to the Canadian digital wealth brand loyalty landscape at this early stage - consumer expectations are lower for wealth management offers currently in Canada. However, while resources would be better targeted toward more important customer satisfaction drivers, such as improving the human element or broadening services - this doesn't mean that critical elements like mobile or reporting capabilities within the digital UX should be overlooked.

US ROBO-ADVISORS CAN DRIVE CUSTOMER LOYALTY WITH FEE TRANSPARENCY AND BETTER REPORTING

In the US, firms that outperform the competition in the areas of fee transparency and reporting capability/experience will enjoy stronger loyalty in the wealthtech category.

Transparency and reporting could be improved hand-in-hand. By using reporting function as a mechanism to deliver clear and unambiguous information related to fees and performance, firms can demonstrate greater transparency.



ParameterInsights WealthTech Strategic Quadrant - US

While the strategic quadrant for Canada shows no features in the "Maintain" area, in the US, online experience is one area where digital wealth brands are performing well on an important driver of satisfaction. To win, brands in the US must continue to provide strong online experiences, while improving transparency and enhancing reporting options for clients.

Low-priority features in the US markets include service breadth and providing a human connection. These are both relatively unimportant drivers of satisfaction to US consumers, so firms should understand that improvements in these areas aren't likely to translate into greater loyalty.

Finally, innovation and the mobile experience are two areas where US firms are over-delivering. Clients are very satisfied in each of these areas but neither represent strong drivers of satisfaction. As such, US firms should work hard to balance innovation with meaningful client/investor experience - simplicity can rule the day.

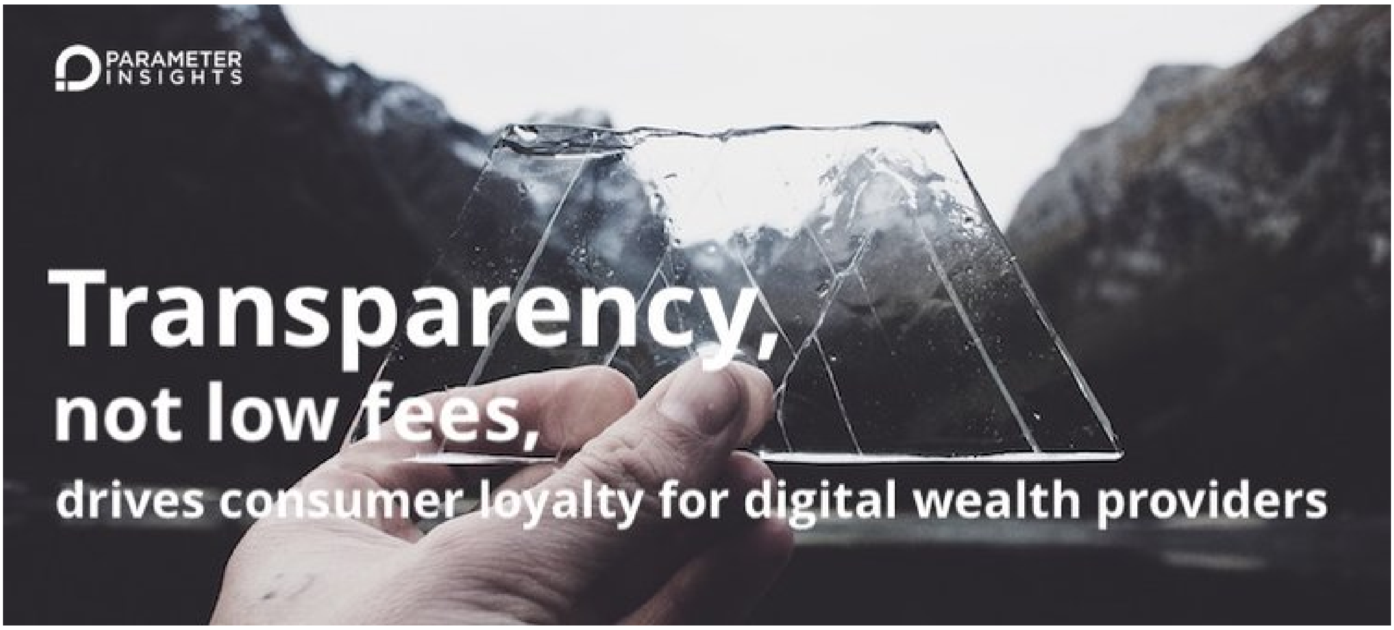
FEE TRANSPARENCY IS A SURROGATE FOR TRUST

The common opportunity for suppliers of digital wealth advice in the Canadian and US markets is transparency. Given the close relationship of transparency to trust, and the fact that digital advising in either country is still in a relative period of infancy (compared to traditional forms of wealth management), ParameterInsights' data shows that firms in North America still have room to grow when it comes to establishing a lasting and trusting relationship with clients.

Across categories and verticals, consumers are typically most satisfied and most loyal toward their most trusted brands. The digital wealth incumbents know that trust in large part is attributable to a brand's longevity and ability to bounce back after major setbacks. Wells Fargo is in the midst of a brand recovery after their "fake account" scandal came to light. As the banking giant rolls out its hybrid Intuitive Investor offer, it will need to work hard over an extended period to re-establish trust, especially among its millions of Gen X and Gen Y clients. One way the bank is doing this is allowing clients of the digital advisory service to make unlimited calls to its advisory call centers.

Incumbents that have weathered previous storms know that digital wealth startups remain untested in downward markets. For incumbents and start-ups alike, however, it could well be that AUM proves to be far less “sticky” under less favourable market conditions.

In the meantime, data indicates that brands in Canada and the US would do well to engender greater fee transparency via easily understood and accurate reporting capabilities, which in turn provides a good foundation for building brand loyalty and trust over the long term.



For more information about Parameter Insights research, click here (/overview).

Tagged: digital wealth providers (/blog/?tag=digital+wealth+providers), robo-advisors (/blog/?tag=robo-advisors), fintech (/blog/?tag=fintech), wealthtech (/blog/?

tag=wealthtech), consumer loyalty (/blog/?tag=consumer+loyalty)

❤ 0 Likes Share