

NAVIGATING

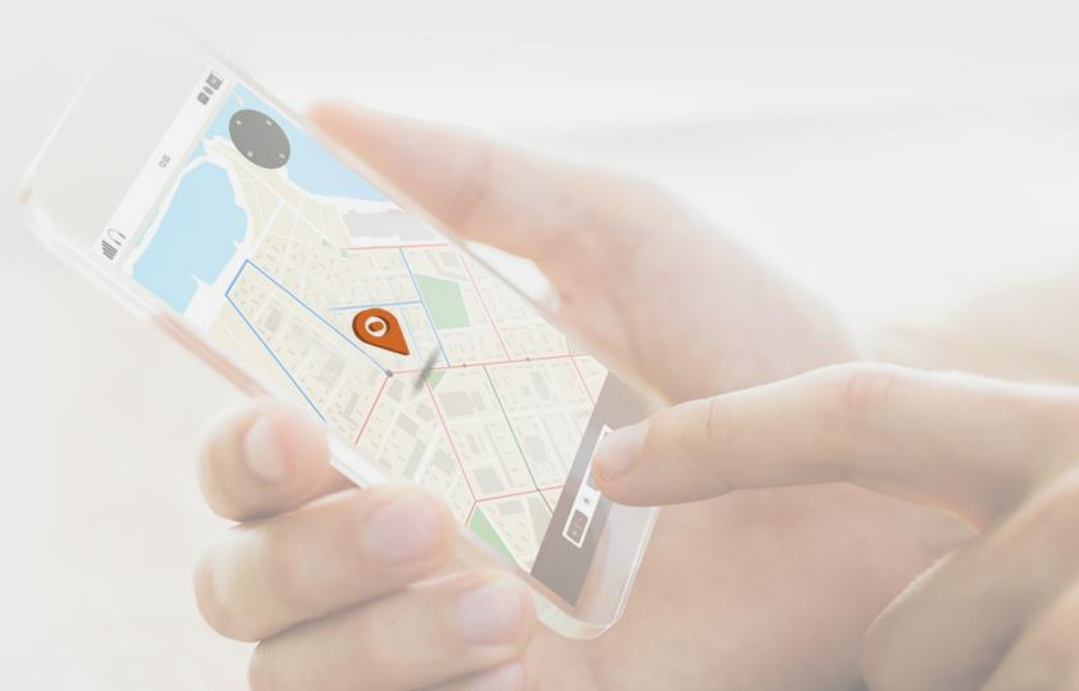
THE EVOLVING MARKETING LANDSCAPE

2016
ANNUAL
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The Roosevelt Hotel NYC | Nov. 7 & 8

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DIGITAL DISRUPTION: ROBO ADVISORS



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With the consistent demand for advancements in technology, it is no surprise that each day, more things in the world are automated. As new generations of consumers grow up, they begin to expect the same from their financial advice. Historically firms have promoted the “hands on,” customer relations experience; a change to this methodology can be daunting. This case study will review what is robo-advising and how to effectively market it to the younger generation.

Agenda

- What are Robo Advisors? Landscape, Growth, Key Players
- What types of clients want Robo Advice?
- What do you need to know if you are marketing a Robo Advisor?
- What do you need to know if you are marketing a Traditional Advisory Firm? How to differentiate?
- Future for Robo Advisors and Asset Management Industry

What is a Robo Advisor?

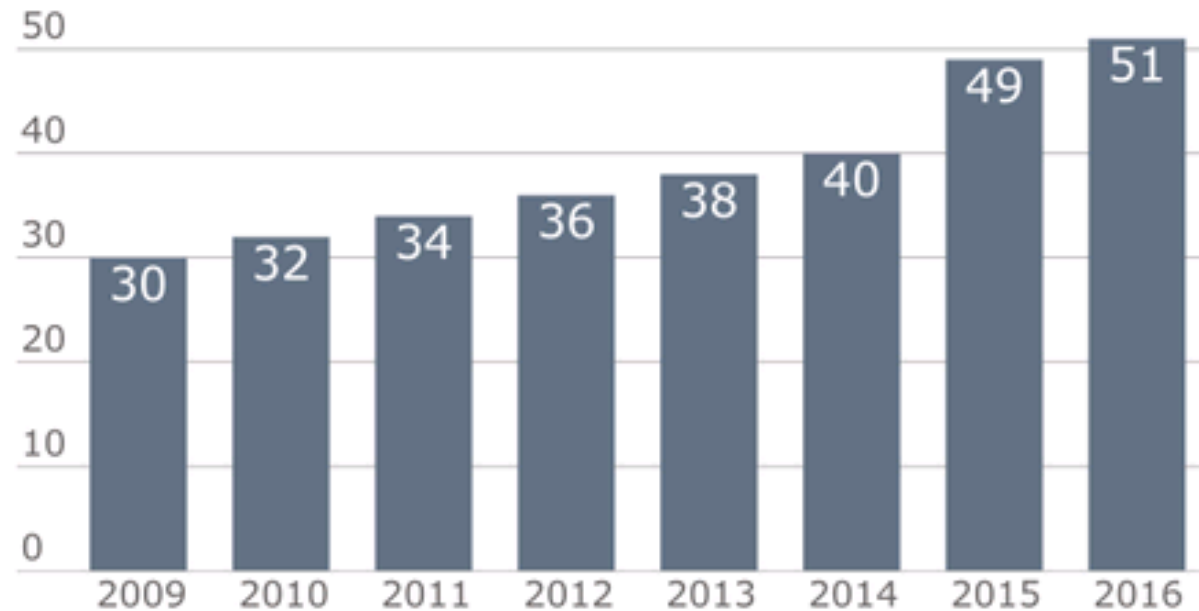
- A Robo Advisor provides online portfolio management without human interaction using automated investment solutions and algorithms
- https://www.youtube.com/watch?v=s46k_G8PYOE

Robo Advisor Landscape

- Pure Robo – Wealthfront, Betterment, FutureAdvisor
- Existing RIAs – Edelman and eSavant
- White label advisor version – Jemstep (Invesco), Schwab Intelligent Portfolios (Schwab)
- Subscription services - LearnVest

Lets Talk Growth

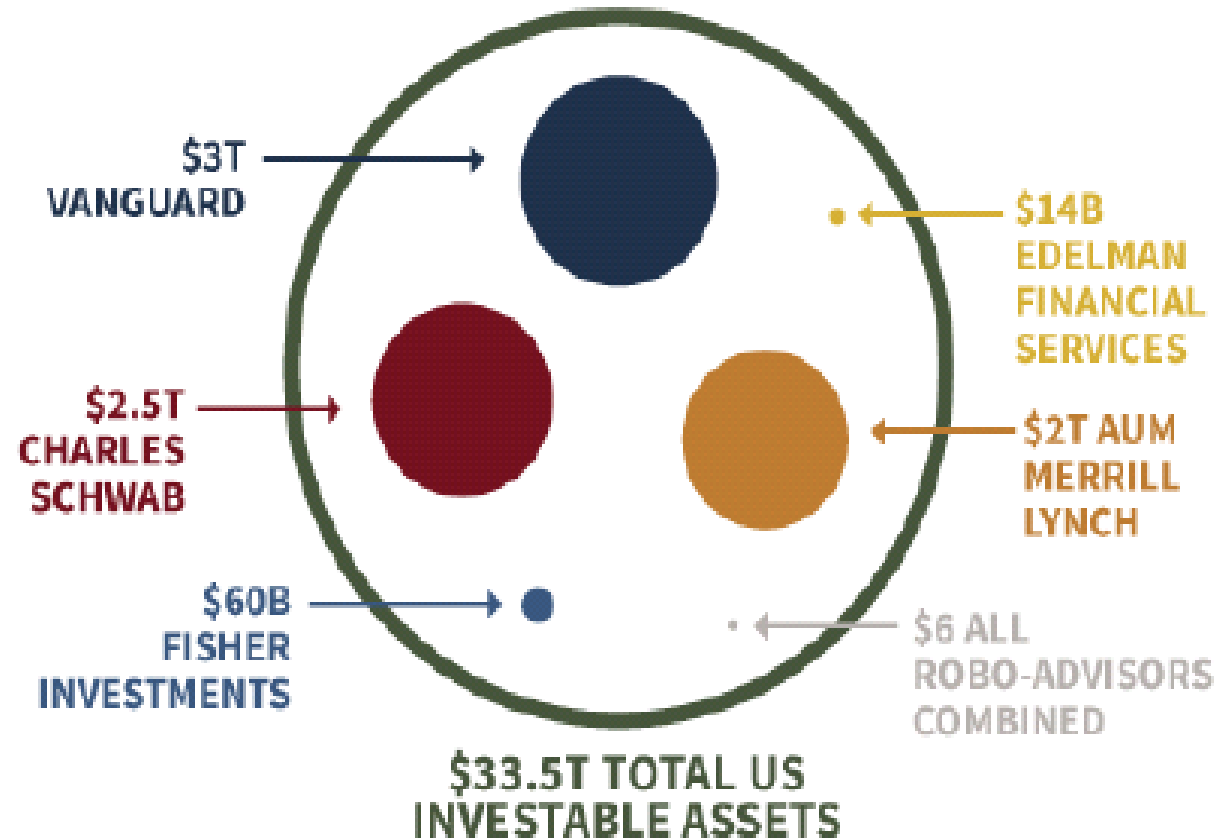
Online advice firms



Source: Tiburon Strategic Advisors, The Trust Advisor, WSJ, FTV Capital (Bernstein), Advisor Products, Orion Advisor Services, Financial Planning, Envestnet Edge, NYT, RIA BIX, San Francisco Business Times

Lets Talk Marketshare

INVESTABLE ASSETS MARKET SHARE OF VARIOUS INVESTMENT PLATFORMS/SOLUTIONS



Who Goes Robo?

- Younger, tech savvy, in the wealth accumulation stage
- Gen Y, Millennials
- Investors who want 24/7 access, control, and low cost
- Investors who don't meet the minimum required by traditional wealth management firms

Case study – Jane Sullivan vs. Tom Jones

- 35, single
 - Deceased parents
 - \$200k to invest
 - Tech savvy
 - C-level exec
 - Finance MBA
 - Moderately sophisticated investor
- 42, married, 2 kids
 - Ailing parents
 - \$3MM to invest
 - Moderately tech savvy
 - Professor
 - Prone to emotional reactions to the market
 - Unsophisticated investor

Case study - continued

Jane Sullivan

- Traditional firm = \$200k at 1%, fee is \$2k per year
- RoboAdvisor = \$200k at .5% fee is \$1k per year
- Needs estate plan

Tom Jones

- Traditional firm = \$3MM at 1%, fee is \$30,000 per year
- RoboAdvisor = \$3MM at .5% fee is \$15k per year
- Needs financial planning; education planning, estate planning, retirement planning, insurance planning

How to Market a Robo Advice Approach

- Define value proposition and service offering in the marketplace
- Define your target market
- Know your competitive advantage and your key selling points – access, cost, ease

How to Market a Robo Advice Approach (Cont)

- Use marketing automation digital marketing and inbound marketing to generate leads and online activity and interest
- Create compelling content
- Engage on social media

How to Market Traditional Investment Advice in Today's Environment

- Emphasize financial planning
- Access to a human, particularly for unsophisticated investors
- Weathering the storm in turbulent markets and adherence to goals and objectives of a financial plan
- Beef up technology

Disruptive Force of Technology

- Stock brokering died with discount/online brokerage, so we became fund pickers
- Active mutual fund picking dies as reporting tools made it clear how bad most are, so we became asset allocators
- Now, Robo Advisors are commoditizing asset allocation, so we become financial planners and wealth managers

Which type of Robo will survive?

- B2C Robo Advisor growth rates are slowing
- Falling growth rates due to client acquisition costs and scaling client acquisition
- They don't have established brands to fall back on
- Growth rates are slowing in a bull market – effects could be larger in a bear market

Takeaways

- Blurred lines between an investment solution, technology solution and a traditional solution with better technology
- At what point will the technology be standard?
- Bottom Line – there's a market for traditional and Robo
- Financial services **technology** is here to stay, though the fate of Robo Advisors will still be determined

Questions/Comments?