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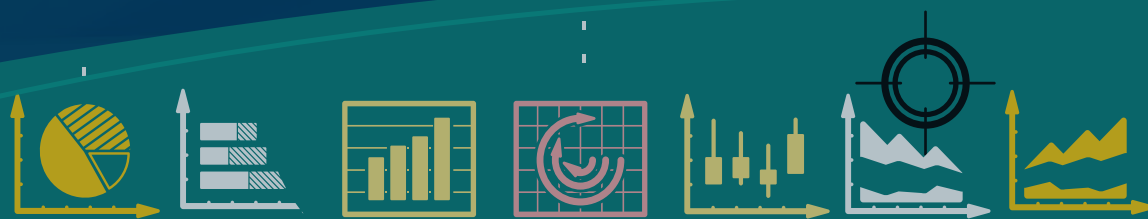
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Wearable Tech & Finance: What To “Watch” For

Wearable tech is generating a lot of buzz on the heels of Apple's recent [Watch announcement](#), but the truth is, the wearables movement isn't exactly breaking news. The [Pebble smartwatch](#) has been on the market for years, and Google's [Android Wear](#) has been up and running since mid-2014. The financial services industry has yet to embrace the smartwatch concept, however. While firms like Wells Fargo and Discover have unveiled beta versions of [Google Glassware](#), few major financial institutions have publicly expressed interest in developing products for the budding smartwatch market. To date, Fidelity's "Watchapp" for Pebble represents the sole smartwatch app released by a major U.S. retail bank or brokerage firm. This may be about to change.

The Apple Effect

Two factors could lead to an increase in smartwatch development by the financial services industry: the app development cycle and the unique opportunities smartwatches offer for personal finance. The first factor is a well-known paradox among app designers. Despite the fact that Android leads in smartphone market share, companies typically first develop new apps for Apple products and treat Android as a secondary concern. Apple products tend to attract a wealthier client base than Android; understandably, many companies target new technology offerings

at affluent individuals for maximum potential returns. The diversity of Android-powered devices relative to the standardized iOS ecosystem also deters firms from development.

Corporate Insight's *Mobile Monitor* service has tracked the mobile offerings of leading financial services firms since 2012, and we have regularly observed firms making their first foray into mobile by launching an app for the iPhone, only to release a version for Android at a later

date. It's also common for firms to first introduce new functionality to their iPhone app before rolling out the update for Android. The launch of an Apple-branded smartwatch may be the catalyst needed to spur smartwatch app development by major financial services firms.

Personal Finance Applications

Forward-looking firms should recognize that smartwatches offer potentially valuable opportunities to serve and engage their customers. With a bit of creativity, financial institutions can leverage these devices to help customers gain better control of their finances. Specifically, the smartwatch's built-in geolocation capabilities and highly-visible position on an individual's body lend it perfectly to the delivery of time-sensitive, actionable alerts.

Perhaps the most obvious use for a financial smartwatch app is to present core account balance information. Enabling banking customers to easily check their live account balances with a simple glance at their wrist could encourage them to make better purchasing decisions. UK-based



Fidelity App for Pebble

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Trade Idea Generation Tools: A Key Aspect of the Trade Journey

Corporate Insight has studied active trader platforms since the late 1990's, when the first rudimentary streaming quote tools became available to retail investors. Over the years, these platforms have steadily evolved, integrating streaming news, advanced charts and trading in a broad array of markets and investment products.

Active traders tend to be sophisticated and opportunistic investors. They're comfortable holding positions for hours or days rather than months or years. They often use charts to analyze historical price movements and detect patterns that suggest where a security's price is headed in the near term. These traders highly value features like customizable technical indicators, pattern recognition, backtesting programs, probability calculators and profit/loss tools.

To help traders improve their effectiveness, many brokerage firms offer innovative tools that support each aspect of the trade journey. tradeMONSTER even coined the concept of a "tradeCYCLE," a seamless six-step process that begins with researching potential trades and ends with monitoring an executed trade to adjust as needed. This cycle illustrates how the various tradeMONSTER tools work together to help customers execute a successful trade.

One particularly interesting element of the tradeCYCLE concept is the "Find/Craft a Strategy" step, where the trader takes advantage of idea generation tools that help identify potential trade opportunities.



tradeCYCLE: The Trade Journey on tradeMONSTER.com

This is an area where innovation and differentiation have accelerated in the past few years. Tools that fall into this category include stock and option screeners, heat maps, trade block indicators and more.

Screens, Streams & Visualizations

To understand retail traders' needs and usage patterns, Corporate Insight surveyed more than 1,500 investors at the end of 2013. We found that 68% of active traders (i.e., those who executed over 100 trades online in the past 12 months) thought that a screening tool to identify potential stock investments was "very" or "extremely important," versus 51% of long-term investors. Given the clear importance of this type of feature, it is no surprise that most active trader platforms offer some form of a stock or option screening tool.

When it comes to screeners, and idea generation tools in general, few active trader platforms compete with thinkorswim by TD Ameritrade. TOS prides itself on consistently working hard to bring its clients new tools that facilitate the trading process, combining its own innovative thinking with client feedback. This year alone, thinkorswim has rolled out three new tools designed to highlight trade opportunities, bolstering an unmatched arsenal of screeners and other idea generation tools.

What differentiates these tools from the competition is their unmatched customizability. Users can scan the overall

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Intelligent Environments realized this potential a year ago with a banking app for Pebble focused on helping users monitor their balances.

Meanwhile, allowing brokerage clients to monitor their performance and receive securities alerts directly on their wrist will allow them to quickly notice and respond to market fluctuations. Firms have already recognized the opportunity here and have begun working on prototypes.

UK-based **True Potential** just recently demonstrated an investment smartwatch app at FinnovateFall 2014 that aims to help clients reach their investing goals by making "microinvestments" with funds that they likely would have otherwise wasted on unnecessary purchases.

The smartwatch is also an excellent medium for financial firms to deliver fraud alerts, helping clients minimize damage. Relatedly, firms can bolster their fraud detection services by taking advantage of the smartwatch's geolocation services. For instance, if a firm receives a transaction request from an IP address in Europe while their smartwatch app detects that the client is currently stateside, they can trigger a fraud alert or security check.

Along with account and fraud alerts, smartwatch apps could incorporate credit and debit card reward offers and discounts.

As banks and credit card issuers notify clients about nearby offers and discounts, they can also factor in their budgeting and savings goals. Firms can potentially create a smartwatch app that learns the user's behavior and utilizes geolocation tracking to help avoid a wasteful purchase (e.g., their 2:00 pm cappuccino) in real-time. While there are numerous smartphone apps geared toward helping clients reduce needless expenditures, the higher visibility of the smartwatch should greatly improve the effectiveness of such services.

The Smartwatch Outlook

While we wouldn't be surprised if many firms hold off on developing an app for the smartwatch until they see strong adoption rates, if the most optimistic **projections** prove accurate, those firms will be doing so to their own detriment. Apple's influence on consumer behavior and the commercial app development cycle is undeniable. Just weeks after Apple announced the pending release of Apple Pay, **Capital One** launched a new mobile wallet specifically designed for compatibility and integration with the forthcoming payment system. As the launch of the highly-anticipated Apple Watch grows near, we expect banks, brokerages and credit card issuers to release iOS-compatible smartwatch apps, and, eventually, this technology will trickle down to Android. **ci**

Mobile Navigation: Industry & User Perspectives

Apps across the financial services industry continue to grow more powerful. In just the last year, we've witnessed the introduction of new research tools and transaction capabilities, from P2P payments to multi-leg options trading. As firms add new capabilities, effective navigation and information architecture become that much more important.

This summer, Corporate Insight turned our attention to this crucial topic, publishing a *Mobile Monitor Report* on Menu Design & Navigation. We took an in-depth look at 23 leading financial services firms to see how users move through their apps. Rather than simply rely on comparative expert analysis, though, we also performed a usability test to see how successful actual users were when interacting with different menu types and navigational schemes. While it would be impractical to test all 23 firms, we chose several firms that represented different implementations of the major menu and navigation strategies.

When considering how to design an app's main menu, developers today have two main choices: a slide-out menu or on-screen tabs. There prove to be many ways of implementing these broad types of menu structures, though, and the feedback we collected from actual users revealed design principles to keep in mind for either case.

Competitive Analysis

At the time of our report, 17 firms used slide-out menus for all or some of their apps, and over half had adopted this navigational technique in the last year. Design of these menus varies in many important functional and aesthetic ways, including use of color, iconography, length and organization. In addition to the on-screen button, some app menus can be launched by horizontal swipe, or tapping an Android's built-in menu button. Such controls are a best practice, making sure clients can access the main menu through multiple commands.

The slide-out menu structure has its advantages, particularly for more complex, feature-rich brokerage apps. Users can load the menu to view a list of app sections or features without navigating away from the current screen. Menus are often scrollable and thus not limited to four or five options the way stationary tab bar menus are. Unlike always-visible menus and links, the only screen real estate they occupy is generally a small menu button in the page header. They are also familiar to users of popular apps outside of the financial services industry like Facebook.

Most of the firms that have switched to slide-out menus have done

so from stationary tab bar menus, but about half of the firms *Mobile Monitor* tracks still rely on tabs for all or some of their apps. Indeed, this menu design is sufficient for many mobile finance apps, particularly in banking and credit cards where there is no need for extensive market research sections. Apps with just four or five main sections can use this design so clients can move easily between areas via ubiquitous links without the extra taps to launch a menu.

Popular tab menu options include accounts, transactions, research and trading, depending on the type of firm. While these are typically the key areas of the app, they do not encompass everything a modern mobile finance app offers. In most cases, firms leave their last menu slot for a "More" option, which loads a list of other capabilities requiring just one more navigational step.

Usability Testing Insights

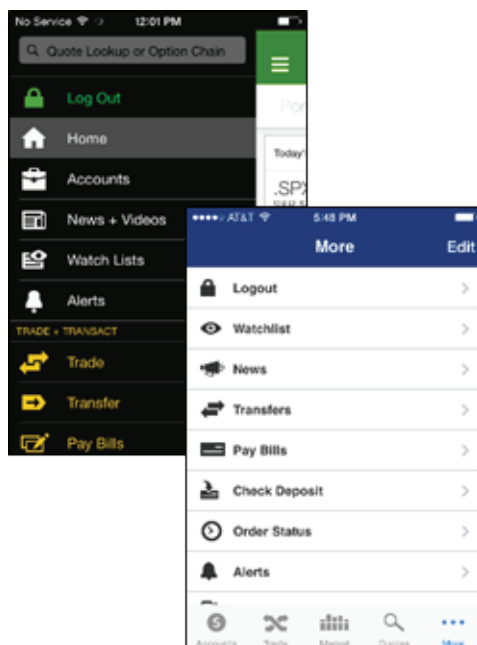
To enrich our analysis of these navigation systems, we designed a comparative usability study pitting two pairs of firms with similar

navigation systems against one another. Our goal was not to criticize these individual firms, but rather to highlight user preferences and common usability issues.

For instance, our users overwhelmingly preferred a longer slide-out menu with a larger number of specific options over one with fewer, broader categories. In their experience, the more detailed menu featuring very specific labels made it easier to predict where each link would take them. We asked subjects to rate the overall ease of use and overall intuitiveness of each app they tested, and those numbers supported this feedback as well.

Unlike their traditional desktop website counterparts, mobile applications offer a scaled-down collection of resources that makes bucketing content less necessary. And although some users did point out that a longer menu seemed a bit too extensive, they also stated that the number of options did not have a negative impact on their ability to navigate the app.

When it came to tab menus, redundancy emerged as a positive theme. When asked to find a particular piece of information or tool, some users preferred the tabbed menu, some preferred to return to the "More" menu at the start of each task, and some varied between the two navigation styles based on such factors as their location within the app when they started a task. Regardless, the study participants commented that applications with significant redundancies were intuitive and very easy to use, with one particular subject stating that he felt an app was "dummy proof."



Main menus vary widely in design, but fall into two main categories: slide-outs (e.g., Fidelity at left) and tabs (e.g., Merrill Lynch at right)

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Digital Financial Advice Competition Heats Up

Over the past few years, dozens of online startups have emerged that challenge the traditional model of delivering investment advice. Sometimes called “robo-advisors,” these firms typically use engaging websites and mobile apps to provide very low-cost advice with little-to-no human touch. The fall of 2014 has seen a flurry of activity in this space, from both startups as well as major players who have begun to respond to the competitive pressure from these new firms. Many large “hybrid” brokerage firms – or firms that provide both self-directed investing and some measure of advice or guidance – have introduced lower-cost and/or lower-minimum advice solutions. Much like the startups, these new services have embraced fee and performance transparency, and offer digital capabilities that exceed what traditional wealth management firms offer.

The Industry Responds

A new low-cost online managed account is the most straightforward way to match startup competitors, and Charles Schwab (Schwab Intelligent Portfolios) and TradeKing (TradeKing Advisors) have already taken this step. Other firms are at various stages of the product development and launch process as well. As one example, in their 2013 annual report, Scottrade mentioned that they will be adding a managed account service in 2014, although no such service has been launched to date.

Taking a different tack, Vanguard and Merrill Edge have made important announcements regarding services that leverage a human financial advisor. Vanguard's Personal Advisor Services unit is pushing to lower their minimums to target less affluent investors. Bank of America/Merrill Lynch plans to double its Merrill Edge advisor headcount by 2016 to appeal to the mass-affluent segment. Charles Schwab, Fidelity and TD Ameritrade have also all recently announced new software solutions or partnerships to improve the resources available to human advisors.

Implications for Competitors

The hype regarding Schwab's new Intelligent Portfolios service has been intense, but it's important to take a “wait-and-see” approach when it comes to this kind of disruptive move by an established

player. In recent memory, we've seen both Bloomberg (Bloomberg Black) and LPL (Nestwise) terminate new online advice services before they even got off the ground. We're aware of at least one major brokerage firm that cancelled an algorithm-based online tool that would give buy and sell advice due to internal resistance. There's no guarantee that new services promised by Schwab and others will actually come to market, let alone survive in the long run.

That said, the surge of established players entering the low-cost advice space is a major development, one that's likely to have the biggest impact on established full-service brokerage firms. Much of the press coverage surrounding these recent events has focused on how the major hybrid players now threaten startups and will likely put them out of business. We do not view this as a zero-sum game, however; the “pie” of investment dollars in the United States is large enough that there's room for many different online advice providers.

Until this fall, full-service brokerage firm executives could dismiss the growth of lower-cost advice startups as minnows that don't pose a serious threat. But as firms like Schwab embrace the lower-cost online alternative concept, full-service firms are liable to feel additional pressure to become more transparent, lower their fees and improve their websites and mobile apps.

How concerned should established wealth management firms be? In the short term, they have more pressing worries, like another possible economic downturn or the potential for new regulation. But the competitive challenge from lower-cost rivals presents a long-term threat. In the next decade, full-service firms will be squeezed by the retirement of their most lucrative financial advisors and Baby Boomer clients. Gradually, they will have to win new business from more tech-savvy Gen X and Gen Y investors. Poor customer websites, limited mobile capabilities, low transparency, high costs and an emphasis on in-person meetings do not position these firms to succeed with the next generation of investors. And as low-cost, digital-centric advice becomes the new norm, these firms will need to adapt or risk obsolescence.[ci](#)

TRANSCENDING THE HUMAN TOUCH

ONBOARDING AND PRODUCT STRATEGY FOR AUTOMATED INVESTMENT ADVICE



The latest study in Corporate Insight's Next Gen series, **Transcending the Human Touch: Onboarding and Product Strategy for Automated Investment Advice**, examines the strategies and best practices for new client onboarding and delivering online advice with little or no human touch. For a preview, [click here](#), or contact Grant Easterbrook at (646) 432-5478 or geasterbrook@corporateinsight.com.

Conclusion

When deciding between different menu types, considering labels and organization, or making other critical choices, it's ultimately important to understand the needs and expectations of the end user. Our tests across a variety of firms revealed a clear desire for main menus that were comprehensive, plainly labeled and visually engaging. These principles should guide menu design regardless of the type of app, or its breadth of capabilities. [ci](#)

For more information on the **Menu Design & Navigation** report and other **Mobile Monitor** research, please contact **Dan Wiegand** at dwiegand@corporateinsight.com or (646) 432-5483.

Corporate Insight User Research Services



If you would like to learn more about this comparative mobile brokerage usability study or how Corporate Insight's User Research Services can help your company deliver a best-in-class digital experience for your users, [click here](#) or contact **James McGovern** at (646) 454-2667 or jmcgovern@corporateinsight.com.

(Trade Idea Generation Tools: A Key Aspect of the Trade Journey, continued from page 2)

stock universe or a specific watchlist, as well as the intersection of two different watchlists. These tools also screen complex option spreads and display recent trades executed by TOS users. Their filtering capabilities are also unmatched – users can add up to 10 different filters including technical indicators, a unique feature. Another interesting breed of idea generation tools are those that don't require traders to set filters but simply stream stock symbols based on built-in criteria. For instance, Charles Schwab and optionsXpress Xtend offer block trade filters, which stream large-quantity stock trades to the user. Another similar tool is a high/low ticker, which displays intraday and 52-week highs and lows for selected types of securities. Schwab and E*TRADE's flagship platforms provide this kind of feature.

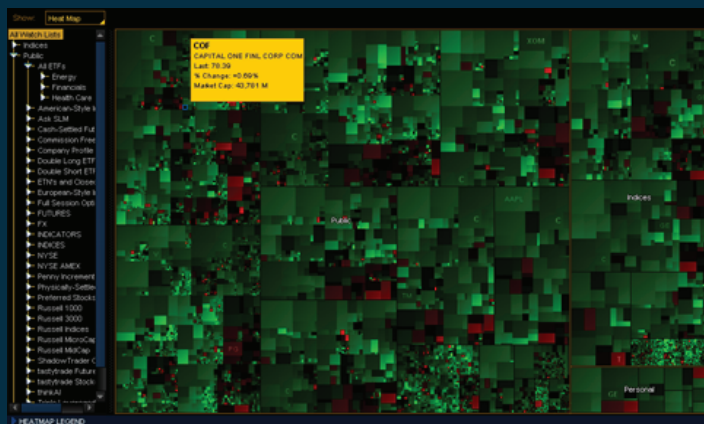
Always ahead of the curve, thinkorswim recently added the unique Trade Flash tool, which streams trade-related events such as analyst up/downgrades, block trades, trade imbalances and trading floor events throughout the trading day, with market commentary provided by The Hammerstone Group. Integrating content from third-party providers is a common approach among brokerage firms seeking to deliver top-notch tools and features to their active trader clients. As another example, a handful of industry leaders offer CNBC's Trader TV.

Some active trader platforms also do a good job of presenting market data in visually appealing ways that help traders identify potential trade opportunities. This is another area where thinkorswim stands out, with a Heat Map feature designed to help clients spot individual stock opportunities and form a broader opinion about specific market sectors. Heat mapping represents

individual stocks as a box, sized proportionally to market capitalization and color-coded in various shades of green or red for the day's change.

Conclusion

While active traders constitute just 4% of the investors we surveyed, they represent a very lucrative segment of the investing population coveted by discount brokerages and trader-oriented firms. After commissions, client-facing technology is the key factor that sets firms apart in the active trader marketplace. Those that provide a powerful platform that generates trading ideas and provides for easy movement from idea to execution have a clear competitive edge. [ci](#)



thinkorswim by TD Ameritrade Heat Map

For more information on **Corporate Insight's active trader research**, contact **Grace Lei** at (646) 929-5148 or glei@corporateinsight.com.

WHAT DRIVES INVESTOR SATISFACTION?

Corporate Insight Live Webinar Series

November 12, 2014 at 2:00 pm EST

Analyst: Anneli Lefranc

REGISTER NOW

Corporate Insight would like to invite you to join our analyst Anneli Lefranc for a free webinar – What Drives Investor Satisfaction?

We recently surveyed over 1,500 investors to examine the relationship they have with their primary brokerage firm. We then analyzed the results, identifying the features that matter most to different types of investors and that have the greatest impact on their overall satisfaction. Our major findings were published in Corporate Insight's 2014 Investor Survey Report.

In this webinar, we will dive deeper into our survey data in an effort to answer a variety of key questions, including:

- ▶ How can brokerage firms and financial advisors improve client satisfaction?
- ▶ What website and mobile features do investors value most?
- ▶ What distinguishes the behaviors and preferences of such important demographic groups as Millennials, Gen X, mobile users, female investors, self-directed investors and full-service brokerage customers?
- ▶ What activities do investors perform most frequently using their firm's website and mobile apps?
- ▶ To what extent are investors open to using different technologies to interact with advisors?
- ▶ Which "Next-Generation Investing" business models appeal most to different types of investors? This includes new services such as advisor search engines, online-only advisors and trade mimicking.

In addition to sharing new findings from our investor survey, we will also reserve time for Q&A.