Financial Technology Implementation for Value Creation in Investment Advisory Services: A Conceptual Framework

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ABSTRACT,

Financial technologies are currently disrupting the investment advisory industry. Innovative ways of value creation to accommodate shifting customer needs and wants are created. This research aims to find ways on how existing, non-startup companies operating in the field of investment advisory can cope with, and potentially implement financial technologies to create value, in order to stay competitive and sustainable. This is done by comparing the model of two companies offering traditional investment advisory services, Vanguard and van Lanschot, with modernised models using financial technologies of two innovative investment advisory companies, Betterment and Bespoke. The traditional companies focus on offline, dedicated advisory while the modernised companies focus on online services and tools. In order to answer the research question: "To what extent can companies offering investment advisory services find ways to create value by adopting financial technologies, in order to accommodate shifting customer needs?", an analysis is presented where the value proposition canvas is filled in for each of the cases, a tool used for understanding customer needs. By comparing the canvasses, the change in customer needs regarding the role of the investment advisor, personalisation and online presence are identified. A conceptual framework is presented on how traditional companies can adapt towards different levels of desired human involvement, online presence and personalisation, depending on the target group. Within the framework, target group distinction is made by age and wealth. In the end, general implications for value creation in the investment advisory industry as a whole are presented, derived from the conceptual framework. In the future every target group has a significant online presence, therefore demanding a high-level of online services or personalisation, relative to costs. Moreover, it implies the role of the financial advisor will not be centralised anymore, but change to a supportive role.

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Keywords

Business model, value proposition, value creation, investment management, financial advice, fintech, investment advice

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1. INTRODUCTION

The step towards investing as individual investor is becoming more effortless and simplified, the rise of the internet enabled wide availability of information regarding investment, and produced many companies offering investment services online.[1] Many new companies entering the industry imply higher levels of competition. Established companies operating in the investment management sector should therefore research the possible need for adaptation of their traditional business models and ways of value creation, in order to stay competitive and sustainable. A consumer study conducted by Accenture (2017) identifies younger customers (Generation Y) seeking for new investment alternatives besides traditional investment advice firms. Traits of these newer in-demand services are classified as personalisation, transparency and trust. Exhibiting focus is shifting from a sales-driven perspective, implying relying on sales activities and one-on-one relationships (Speak, 1998), towards a sector with market oriented objectives, developing offerings and strategies around the customer's needs and wants (Kumar, Scheer, & Kotler, 2000). Next to changing customer focus, the emerging role of digitalisation plays a major part within investment advice services as can be seen by recent academic interest in fintech like robo-advisory. Innovations like robo-advisors induce debates about the future of investment management in its totality.

1.1 Research Goal

This paper will aim to identify if, and how companies offering investment advisory services can adapt their ways of value creation to meet changing customer expectations and demands. This is done from a business model perspective. Therefore, the goal of this research is to provide a framework to identify and implement new ways of value creation in the business model used by companies offering investment advisory services. More specifically, investment advisory services entail the provision of professional guidance regarding investments in exchange for a fee, either done by humans, fully automated or mix. The research question is formulated as follows: To what extent can companies offering investment advisory services find ways to create value by adopting financial technologies, in order to accommodate shifting customer needs?

1.2 Outline

In order to be able to fully answer the research question, several aspects need to be covered throughout the chapters of this research. Firstly, the literature review aims to filter and structure theoretically relevant research applicable to value creation in investment advisory business models. In this section frameworks to support definitions and to enable further analysis are also proposed. The review is followed by a methodology section, where the structure and analysis of the research are justified. Next off, a cross case analysis is conducted where multiple cases from two scenarios are analysed. These cases enable a discussion where the cases can be compared and one or multiple frameworks for value creation implementation are proposed, derived from the practical cases. Finally, conclusions are drawn along with possibilities of future research regarding completeness and limitations of the research are suggested.

1.3 Academic Relevance

The concepts of business models and value creation have been researched extensively. For example, Zott, Amit and Massa (2011) found at least 1177 articles published in peer-reviewed journals since 1995 that relate to the subject of business models and a simple search of "value creation" in the Scopus database identifies over 9000 English articles within the field of business, management and accounting where the title, abstract or keyword contains value creation. Zott et al. (2011) states literature on business models is divergent. For this reason, selection and structuring of conducted research about business models relevant for the investment industry would be a valuable addition, it can serve as a foundation for future academic research done within the sector. On the topic of value creation, Amit and Zott (2001) conclude that questions about value creation not yet answered by frameworks arise from their paper. Although their research is focused on e-businesses, they identify traditional concepts of value creation being outdated. This shows similarities with the possible need for change of value creation in the investment advisory industry, which also may be outdated. Therefore, another goal of this research is to expand sector-specific knowledge regarding the transformation process that value creation is undergoing. Lastly, research on developments in the investment advice sector is lacking a value creation perspective. Using this perspective will therefore not only show the importance of value creation to academics, but also elaborate and support on already documented findings regarding the digitalisation of investment services.

1.4 Practical Relevance

This research paper is practically relevant to companies operating in- and outside the investment management sector. Companies operating in this sector can avoid identified pitfalls with traditionally applied value creation, and may be able to respond or innovate with help of new ways of value creation identified in this paper. Most research identifies shifting customer demands and the emerging role of digital technologies as enabler of value creation, but lack concreteness on how an already established company can find ways to adapt and benefit from these developments. This shows in the earlier mentioned research of Accenture (2017), but also other non-academic, consumer studies within the industry of investment.[2]

The industry of investment advisory is not the only industry coping with changing customer expectations and demands. Other financial sectors may also derive valuable information or conclusions from this research. Possibly, unrelated industries coping with similar changes caused by shifting demand or digitalisation can use this research as starting point. Examples can be, although less radical, the emergence of green energy demand described by Wüstenhagen and Bilharz, (2006) and the change in customer focus on nutritional and healthy food, illustrated by for example Nestle (2013).

2. THEORETICAL BACKGROUND

The research goal contains several aspects for which literary research can form a solid support. Firstly, the investment advisory industry should be characterised in order to define the scope of the research industry-wise. After which the term "fintech" is defined, a concept needed to understand changes the investment advisory sector is facing. Thirdly, defining the terms "business model" and "value creation" for use as fundamental constructs will enable an appropriate application of these components. Next off, one or multiple frameworks for business models and value creation need to be analysed in order to gain insights into their essential aspects. Once identified, these frameworks allow for precise analysis and classification of selected cases. Lastly, business model innovation is shortly

[1] See e.g.: https://www.ici.org/pdf/2017_factbook.pdf

[2] E.g.: *The next frontier: The future of automated financial advice in the UK* by Deloitte, and *Robo-advisors: the rise of automated financial advice* by market research firm IPSOS.

addressed to identify possible consequences of innovative value creation in business models. Hereby, all elements of the research goal are covered and a literary support of the subject within the proposed frameworks and field can be formed.

2.1 Investment management

Investment management is also referred to as "money management" or "portfolio management". Generally speaking, money management refers to a subset of investment management involved with analysing risk on used trading strategies (Harris, 2008), which is not of interest to this research. Financial portfolio management refers to a company making investment decisions on behalf of their clients within a portfolio of investments maintained by the company[3]. In the context of this paper investment management is defined as a company providing professional investment services to an individual, where the individual's investments can be managed by the company. Implying possible entailment of portfolio management, but not necessarily. A company can be limited to provide advice if a customer chooses to have full control over their actual investments.

2.1.1 Investment advisory

Investment advisory is a subset of investment management and only involves the part of providing licensed financial advice to a customer. In this case financial advice is limited towards investment advice. Demands and wishes of the customer are identified to propose tailored investment solutions with respect to their financial possibilities.

2.2 Fintech

Fintech is a term abbreviated from financial technology. Fintech is defined as technology enabled financial solutions (Amer, Barberis, & Buckley, 2015). More specifically, it involves the design and delivery of financial products and services through technology (Haddad, & Hornuf, 2016). These technologies are often stated to be disruptive within the industry, for example by Chiu (2016). Disruptive financial innovation is mostly adopted and researched in startups, as they try to disrupt the industry with innovations on a small scale. The previously cited paper by Haddad and Hornuf (2016) is a clear example of this startup point-of-view. In order to timely adjust towards possible disruptive innovations, financial companies in a non-startup phase should research on how to develop, or adapt towards coping, technologies to be sustainable. Since the investment advisory sector is a financial service, adaptation or implementation regarding fintech is eminently relevant for this sector as well.

2.3 Business Model

2.3.1 Business Model Definition

Teece (2010) defines a business model as the organisational and financial architecture of a business. More specifically, the architecture provides an outline for revenues, cost and profits achieved from creation and delivery of value to customers. Osterwalder and Pigneur (2010) agree on components, but instead define the business model as a conceptual tool or model, which also shows in the business model canvas they created. Although these definitions are uniform on content, research on business models is done extensively and definitions only overlap partially. Which leads to numerous ways of interpreting a business model and its definition according to Zott et al. (2011). Definitions get adapted towards meeting research questions and goals for specific fields or even industries. Next to the architecture definition Teece (2010) provides, business models have been specified, amongst others, as a representation, a structural template, a method, a framework, a pattern and a set (Zott et al., 2011). The architectural definition seems the most logical choice, whereby frameworks can be selected as tools to conceptualise the architecture of investment advisory business models.

Despite disagreements on business model definition, most research characterises similar central components. Although no consensus exists, commonalities are confirmed by both Zott et al. (2011) and Keen and Qureshi (2006). These reoccurring components, whether classified as crucial or as subset of other components, seem to be the value proposition, the customer interface, structure of the organisation and value chain and finally, the supporting financial model (Boons and Lüdeke-Freund, 2013). Due to focus of this research lying on value creation, the value proposition and the intertwined, related aspect of the customer interface are two concepts being the most interesting of components from the business model.

2.3.2 Business Model Framework

As this research concerns two previously defined core components of business models, a tool providing essential areas of a business model is a requirement. It enables classification and detection of ways to create value while clarifying potential consequences or relations to other vital business aspects, for example the customer interface. The business model canvas created by Osterwalder and Pigneur (2010) is a tool used by many researchers, entrepreneurs and companies who claimed to have made excellent accomplishments using it (Massa & Tucci, 2014; Barquet et al., 2011). Not merely as descriptive tool, but also to adjust and create new business models, which can for example enable implementation of new ways of value creation. The canvas is also in accordance with business model definitions given previously. To summarise, Chesbrough and Roosenbloom (2002) state it should articulate the value proposition, identify a market segment, define structure of the value chain, specify the revenue generation mechanism along with its cost structure and profit potential and finally, it should identify the position of a firm within the value network. Incorporation of these elements enables formulation of a competitive strategy for a sustainable advantage over competitors. The canvas is a visual representation of all areas in a business model, as can be seen in Figure 1.

<table>
<tr><td rowspan="2">Key Partners</td><td>Key Activities</td><td rowspan="2">Value Propo-sition</td><td>Customer Relations</td><td rowspan="2">Customer Segments</td></tr>
<tr><td>Key Resources</td><td>Channels</td></tr>
<tr><td colspan="2">Cost Structure</td><td></td><td colspan="2">Revenue Streams</td></tr>
</table>

Figure 1. Business Model Canvas

At the bottom cost structure and revenue streams account for the financial part. The left upper part is representing infrastructure of the company and value proposition is situated in the middle. Lastly, customer's aspects are put in the upper right corner.

Validation of literary constructs is not the only reason the business model canvas is applicable to this research. Practical value for this research mainly concerns the value proposition and the customer interface, two previously identified core concepts. They are both incorporated within the canvas. The

[3] See example definition:
https://www.investopedia.com/terms/p/portfoliomanagement.asp

canvas relates these two essential concepts to other relevant business components to enable successful implementation throughout the model, and thus business. In this case, the customer interface might change due to change in preferences from customers, thus ways of value creation are adapted to meet these new demands. Value creation might then influence the other components, which is made visible in this framework.

2.3.3 Business Model Innovation

Possible alterations on ways of creating value may impact the business model, as the canvas framework illustrates. The business model canvas is limited by representing a static picture. The idea of business model innovation is taking a more dynamic approach instead of static. Chesbrough (2010) argues that a business implementing the same idea or technology will arrive at two different outcomes if having different business models. This is why Baden-Fuller and Haefliger (2013) state that development of adequate technologies depend on the component characteristics of the used business model. To narrow down possible business models adaptions, and therefore outcomes and validity of this research, focus lies on companies offering investment advisory services. Within this sector, development of technologies and shifting customer demands are assumed to be more or less the same. As a consequence, the diversity of business models is aimed to be minimised, therefore mostly arriving as similar outcomes.

2.4 Value Proposition

2.4.1 Value Proposition Definition

The simplest definition of a value proposition is given by Fritscher and Pigneur (2010), they describe a value proposition as customer's problems being solved in a way more valuable than related products or services from competitors. This is also in accordance with the previously proposed framework for business models. A more abstract way of defining the value proposition is specifying it should provide measurable ecological and/or social value supported by economic value (Boons & Lüdeke-Freund, 2013). Research done by Bowman and Ambrosini (2000) divides these measurable components into value creation and value capturing. Value creation identifies the customer(s) and their engagement with the company. Value capture identifies how value is delivered and monetised (Teece, 2010). Although the value proposition as a whole is considered an encompassing construct, focus is on value creation. The subject of changing customer demand in the investment industry causes a need for specific focus towards identifying new customers and engaging them and therefore, value creation based on digital technologies.

2.4.2 Value Creation Definition

The primary quest of businesses is to create and maintain value (O'Cass & Ngo, 2011). On an organisational level of analysis Lepak, Smith and Taylor (2007) identified consumers and society as targets of value creation. The impact of investment management companies on society is neglected in this research, as customer focused value creation is targeted. Value is created by innovation, invention, research and development, knowledge creation, social conditions, incentives and training (Lepak et al., 2007).

Next to its sources and targets, value creation itself can split up into two different aspects: customer identification and customer engagement (Baden-Fuller & Haefliger 2013). Customer identification sets out to find potential customers for a business. Convincing high net worth individuals who previously had no interest in investments, or investments done by a second party, would be an obvious target group for investment companies. With new forms of value creation customers outside this group can potentially be reached as well. Customer engagement can be defined as customers' motivational attraction towards a firm after a purchase was made (Van Doorn et al., 2010). Competitors offering investment advisory alternatives are becoming widely available and thus engagement plays a major role towards developing new ways of value creation.

In conclusion, value creation would imply identifying the right customers and their needs. Followed by the creation of value for this distinct segment by employing sources like innovation and research and development. By doing this, a goal is to establish a long-term customer attachment to the company.

2.4.3 Value Creation Framework

Osterwalder and Pigneur (2010) describe contributing elements of value creation in their business model canvas. They identify newness, performance, customisation, design, brand/status, price, cost reduction, risk reduction, accessibility and convenience as key factors for value creation, but also state the list is never-ending. In order to limit these factors, a framework describing the various elements of value creation in accordance with the presented literature is selected. The value proposition canvas created by Osterwalder, Pigneur, Bernarda and Smith (2014) seamlessly integrates within the business model canvas. It is created as a subset of the business model canvas, specifically to create value for customers. It combines the elements of the value proposition and customer segments into one framework. It is not only a tool to build a value proposition from scratch, innovation and building upon existing value propositions is also one of its perks. The visual representation of the canvas is seen in Figure 2.

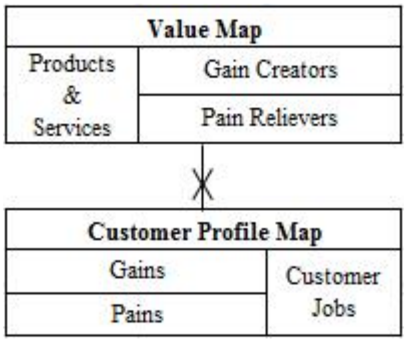


Figure 2. Value Proposition Canvas

The upper half of the canvas represents the value proposition, also called value map. Value creation is described for a specific customer group. This group is represented on the bottom half, also called the customer profile. In accordance with the presented literature definition of value creation, customers are identified and engaged by reviewing their pains and gains to enable targeted value creation. When customers are satisfied with the value proposition, thus gains are created and pains are relieved, there is a so-called "fit".

The value proposition canvas can be filled in for value creation within financial advisory to identify changing customer needs and wants. This can be done by making comparisons between a traditional model of value creation and a model based on automated value creation. By reviewing both sides a realistic value proposition incorporating the best aspects of and fitting them towards the customer's demands, a new value proposition can be created. Which, with support of the literature, can be conceptualised towards implementation in business models by using the business model canvas.

3. METHODOLOGY

Effective research is done by analysing the subject closely while making use of several research techniques (Morgan & Smircich, 1980). Therefore, this research is set up as qualitative research, implying in-depth focus of purposefully selected information-rich sources (Patton, 1990). By using a qualitative approach, this research sets out to systematically collect, organise and describe data. Data collection can be done by using one or multiple sources, for example by reviewing published literature, making observations or interviewing (Patton, 2001). This research focuses on two sources. A literary study is conducted to explore and define data. Followed by a cross case analysis to provide an in-depth view, alongside identification of similarities or differences amongst the cases.

3.1 Literature Study Design

The literature review is done performing searches in three online databases. ScienceDirect, Google Scholar and Scopus are chosen as being most suitable. The first two sources offer a wide availability of freely accessible material, useful for gathering the many literature already written about the topic and components of this research. On the other hand, Scopus is much stricter with indexing articles in their database and therefore should contain high quality articles. Generic search terms to uncover most common literature are used: "business model", "business model innovation", "value creation", "value proposition", "investment management", "money management" and "investment advisory". Peer reviewed papers are selected in the fields of business, management, accounting, economics and finance. Papers cannot be case specific but have to provide meaning to the general topics relevant for this investment advisory industry. Research on concepts of business models and value creation do not have age constraints, papers are accepted as long as they are academically relevant to this research by means of providing foundations and understandings still applicable within the field of study. For newer concepts, e.g. business model innovation, research done within the last ten years is accepted.

3.2 Case Study Design

Case studies are used to describe phenomena in a real-life context (Yin, 2003). By making use of case studies the need for change in ways of creating value will be made visible as well as possible ways of adopting so-called modernised value creation. To achieve this, multiple cases will be used to enable exploration of differences within and between cases (Yin, 2003). The first set of cases will focus on traditional approaches of value creation within companies providing investment advice. The comparison will be made against cases of companies which implemented a newer style of personalised, transparent and/or digitalised value creation for investment advice. These and several other supporting criteria like data-sharing and trust, are identified by Accenture (2017) in their consumer study about investment advice and are taken as criteria to judge possible inclusion as case.

In the analysis, the value proposition canvas is used to conceptualise and visualise the differences between the cases, enabling a clear analysis of the cases. Validation of the filled in value proposition canvas towards other business components is done with the help of the business model canvas. By integrating a newly developed value proposition within the business model canvas, it is checked if the other components match with new developments and therefore are implementable.

3.2.1 Traditional Cases

Vanguard is the first company with a traditional approach that is reviewed. The firm is one of the largest investment managers in the world with about $5.1 trillion in assets under management [4]. Providing investment advice is one of its activities. Due to its long existence, information and historical data are widely available, enabling a thorough case study. The second company that is reviewed as case is a Dutch bank named van Lanschot. Banks are financial institutions that accept deposits for credit creation (Bank of England, 2015). Most banks offer some sort of investment advice as part of their services, but van Lanschot focuses especially on wealth management and corresponding advisory services. Therefore being very applicable to analyse in a case study within this research. Both companies are considered to have a traditional approach towards investment advice as they do not use any of the newly introduced ways of value creation within the subsidiaries chosen for analysis, like robo-advice or any efforts towards major personalisation. These subsidiaries are specifically targeted to emphasise the differences between traditional and modernised value creation. Both companies are either under the supervision of national banks or governments or have all certificates needed to rightfully provide investment advice by law. This makes them trustworthy companies to derive information from and base conclusions on. Data about both of these companies is collected via their websites [5] and searches in Google Scholar on papers containing the names "Vanguard Group" or "van Lanschot NV".

3.2.2 Modernised Cases

The first company in the cases used for reviewing modernisations in the investment advisory industry is Betterment. Betterment was launched in 2010 and is an early adopter of online, automated, goal-based investing. They started out solely online with provision of tools for customers to invest in exchange-traded funds (ETF's). Nowadays, Betterment has over $13.5 billion under management[6]. The company created their own specific computer algorithms for trading. This case provides information on what value can be created by providing online services and tools to customers as support systems.

Bespoke Investment Group is the second "newer-style" company used as a case study. The company started out as tailored information source regarding investment, but currently also offers to do investments, through a service called Bespoke Wealth Management. The initial investment advisory service is where focus is on, as the company claims to enable a unique form a personalisation by technologies, thus the use of fintech. Three subscriptions are offered, namely "newsletter", "premium" and "institutional". The premium subscription is most relevant for analysis, as it offers the full range of services the company offers and is applicable to individual investors. The premium package includes reports, daily charts, model portfolios, daily news, sector snapshots, chart scanners, economic indicators, internal stock scoring, trend analysis, interactive tools amongst many others.

4. ANALYSIS

To begin with, two companies using a traditional approach of value creation for investment advice are analysed, Vanguard and van Lanschot. The customer process of investment is described, after which the business model and value creation of the companies are depicted. To create a cross case analysis, the same analysis is repeated for the companies contained in the second case, which use newer ways of value creation. These companies are Betterment and Bespoke. The analysis is

[4] See: about.vanguard.com/who-we-are/fast-facts/

[5] vanguard.nl, investor.vanguard.com and vanlanschot.nl

[6] See:adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=149117

repeated for adequate alignment of results and in order to derive meaningful conclusions. Finally, developments on new combinations of services to create value within the case companies are identified, named hybrid models. The concept is, essentially, to provide the best of both worlds.

4.1 Traditional models

4.1.1 Vanguard

When choosing to invest with Vanguard, a personal financial advisor is paired with the customer. The customer has goals and plans in mind, which the advisor tries to achieve by providing a tailored financial plan. Examples of goals can be investing for retirement, a house or college. The dedicated advisor matches the goals with diversified stock and bond investments offered within the funds maintained by the company. The advisor also fulfils a role of investing coach and minimises taxes. After activation of the portfolio the customer can track the performance and progress of the investment online via graphic illustrations. This process describes how investment is traditionally done. The customer fully trusts the company and its advisor to pick adequate investments suited to their needs and gets updated on the portfolio performance. Although use of online tools to provide insights in the investment are used, these are kept to a minimum and provide visualisations only. A simplified customer-company relationship is represented in Figure 3.

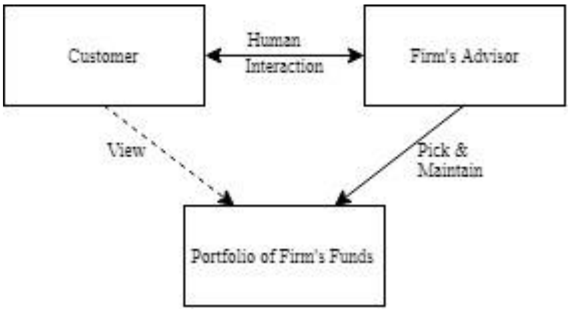


Figure 3. Traditional Approach to Investment

Vanguard claims to make a difference in three main areas, namely stability, low-cost investing and client focus. These can be viewed as the company's competitive advantages, thus ways of unique value creation for customer. Stability is provided by the unique ownership structure. Indirectly, investors investing in Vanguard's mutual or exchange traded funds own the company. This is due to Vanguard's funds acting as owner of the company. According to Vanguard this leads to two benefits. Since ownership diversification is high, Vanguard is not at risk of being acquired by other companies getting a majority of shares within the company. This ensures continuity of the investor's investment and of the company itself. These benefits are mainly important for, and applied to, the market in the United States. It is a market very sensitive to (hostile) takeovers due to different regulations in comparison to Europe. Low-cost investing is the next important focus of the company. Low costs are achieved by the scale of Vanguard and again, its structure. The more assets Vanguard has under its management, the lower the expense ratio for the company. The expense ratio consist of all administrative costs of operating a fund (Ferris & Chance, 1987). The unique structure also allows for lower costs which causes an ability to return higher profits to investors. The last difference Vanguard claims to make is client focus. Meticulous risk management, fair pricing, easy communication and again, structure, are all focused on achieving the highest possible benefits for the investor.

These characterisations can be applied to the value proposition canvas, the same customer segment is targeted. Apparently, the differentiation characteristics from Vanguard lead to high customer loyalty within the firm (Zook & Allen, 2011), and thus seem to offer customers gains as well as reliefs for customer pains not provided by competitors. Three main characterisations which accompany the differentiation areas are high safety of investment, low cost of investment and direct communication. High safety causes customers to gain trust, due to the chance of losing the investment being low. The low-cost structure provides higher returns for customers and from their perspective they lose less money towards the management of their capital. Lastly, good communication with a personal advisor causes customers to feel included and give a perception of power over their own capital. The customer wants to feel involved. The value proposition canvas is filled in with these essential points, and is represented in Figure 4.

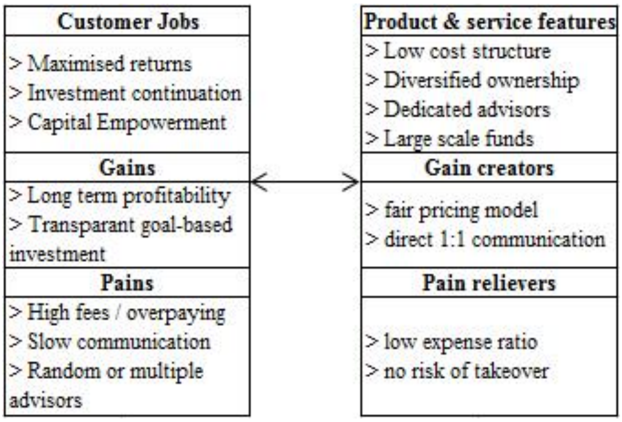


Figure 4. Vanguard Value Proposition Canvas

The most prominent decision factor when choosing a company to do investments with is the amount of generated return, Vanguard can offer high return due to their company and cost structure, while also ensuring survival of the company and thus of customer investments. Accompanied by easy to reach, paired advisors, they attract and bind customers to the company. Capital empowerment means customers want to feel like having total power over their capital.

4.1.2 Van Lanschot

The second company which applies a traditional form of value creation a banking company named van Lanschot. This bank mainly functions as wealth manager, which is accompanied by financial advice. Van Lanschot is a bank, thus the way of investment they offer is included within their service of private banking. Van Lanschot has a subsidiary specifically focused on asset management, called Kempen Capital. The audience of the company are high net worth individuals who have, generally speaking, over 1 million euros of free taxable capital. The scenario of the customer journey is mostly the same as with Vanguard, visualised in Figure 3. The customer gets a personal advisor and together a plan for investing is made. Once started, the advisor updates on progress and maintains the investments for the customer. Being a bank, van Lanschot has the ability to offer additional services to possibly attract customers. Examples are a savings account to be combined with the financial plan or unrelated services like the provision of a mortgage.

Van Lanschot targets 3 specific customer groups. According to their site they tailor their services to suit the needs of medical specialists, business professionals and entrepreneurs. Therefore, one of their areas of value creation for the customer is the specilisation they offer towards these professions. Van

Lanschot claims their other main benefits for the customer are three centuries of experience and their large network, both supported by sustainable and transparent investing. Van Lanschot identifies the characteristics of entrepreneurs to mostly aim for pension and savings, since owning a company does not provide these services. Business professionals and medical specialists are mostly looking to set aside their earnings towards sustainable investments, due to successful jobs there is an overflow of income which can be allocated to make investments. Data for the last group, business professionals and medical specialists, is implemented in the value proposition canvas, represented below in Figure 5. These groups are treated equally, except different advisors are allocated which may invest in field-specific investments.

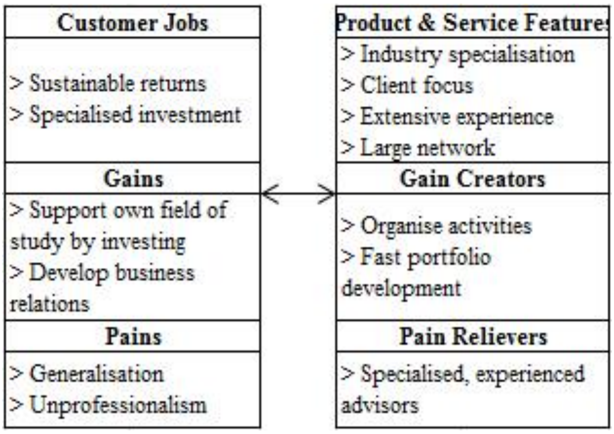


Figure 5. Van Lanschot Value Proposition Canvas

Van Lanschot states their experience helps with fast identifications of needs and performs actions immediately. Their large qualitative network consisting of specialists, entrepreneurs and directors is meant to create new business opportunities and share knowledge. This is done by organising investor-meetings, entrepreneur-lunches and seminars.

4.1.3 Traditional Model Summary

Looking at the filled in value proposition canvasses of both traditional investment advisory companies, human, dedicated advisors play an central role. Essentially, all gain creators and pain relievers can be traced back to human advisory input. For example experience, specialism, transparency are all characteristics delivered by a dedicated advisor in order to build a committed relationship between company and investor. Building trust positively affects satisfaction, which creates behavioural loyalty, especially with high-involvement services (Chiou & Droge, 2006). The relationship in the traditional investment companies is based on mutual-trust, thus giving companies the possibility to create loyalty by solving the customers jobs identified with the canvas. Finally, personalisation seems to be a common elements for creating loyalty in both value proposition canvasses. From a customer's perspective a factor achieved by the dedicated relationship between also advisor and customer.

4.2 Online models

4.2.1 Betterment

Betterment is an online investment company launched in 2010. Roughly the same investments as previously analysed company Vanguard can be made with Betterment, mostly ETF's and several other products like retirement accounts are available to the customer. Betterment operates solely online and provides advanced, high performance tools to pick, maintain and review investments. The online environment lets customers completely manage their investments, from the allocation of stock and bonds and their risk levels to eventual automated withdrawals or deposits. The platform provides clear overviews of market scenarios along with current performance of chosen investments. Due to its extensive online tools and well-developed platform, Betterment is also referred to as a robo-advisor. The service the company offers which applies to robo-advisory term is called Betterment Digital. By using this plan, the customer gets the full online environment at lowest-cost possible with all its tools included. Examples of tools are automatic rebalancing, tax loss harvesting, tax coordination in portfolio and external financial account synchronisation. No advisor is involved as with traditional models. The customer has direct access to the company's investment options and performs all actions an advisor would normally do. It is all contained in the online platform. A simplified presentation is given in Figure 6. Notice the customer may receive optional support from the Betterment's own customer support.

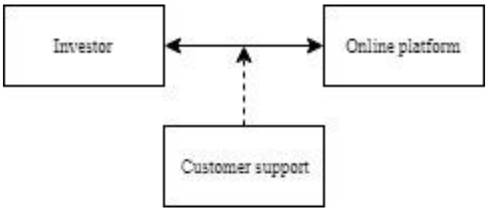


Figure 6. Online Approach to Investment

Betterment's sophisticated online approach is also a way of value creation for the company. Performance of the platform and its vast amount of functionalities are aimed to be superior to those of competitors. Customers get tools and an ease-of-use experience not provided by other online investment companies, as is claimed by Betterment. With their online operations a younger audience is targeted, therefore also a mass market rather than a much scarcer customer group like high net worth individuals. Other ways of value creation for customers pointed out on the website of Betterment are the specific approach towards long-term investing, which consists of having a diversified portfolio of low-cost indexed funds proven to outperform actively-managed, higher-cost portfolios. Furthermore, the portfolio's return is optimised by technologies like automatic tax and fee reduction. These characteristics can be implemented in the value proposition canvas to see how customer's pains are relieved and gains are created, see Figure 7.

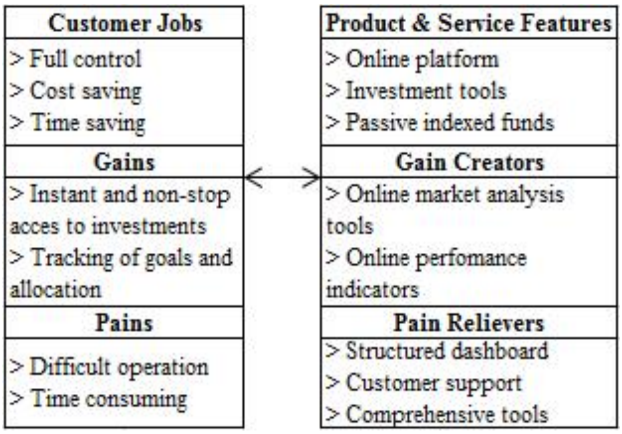


Figure 7. Betterment Value Proposition Canvas

Customers looking to invest can have motives of cost saving, time saving or power over investments. With the online platform and tools provided by Betterment, they are provided with an easy-to-use investment opportunity while keeping full control over their capital and personal goals.

4.2.2 *Bespoke*

The last company analysed is Bespoke. As stated in the methodology chapter, the premium package within Bespoke advisory service is analysed. Within this service, two main elements are distinguished, namely investment information and research tools. The vast collection of information Bespoke offers and produces is done for investors of any size or strategy, presented in articles within a blog format. This research is seen as investment advice which can be tailored to suit needs of specific investors, done by selecting or filtering specific content from the collection. Examples of information provided by the company are daily news, charts, tips and sector reviews, mostly accompanied by scores from their internal rating system and by economic indicators. To accompany the investment information, several online research tools are provided to subscribers. Examples are a chart scanner, trend analyser, earnings screener and seasonality database. Their dashboard allows for quick modification, so a preference of tools can be selected and accessed easily. The idea is to provide the independent investor with these tools and information so a total "bespoke" approach to investing is created by and for them. Bespoke is an English term used for tailor-made, custom products, made without pre-existing patterns or molds. A simplified customer's approach to investment with help of information and tools offered by Bespoke, also called the premium membership, is depicted in Figure 8. As can be seen, funds are directly managed by the investor, thus no role for an advisor. Moreover, Bespoke only has a supportive role in the decision making process, funds can be managed externally.

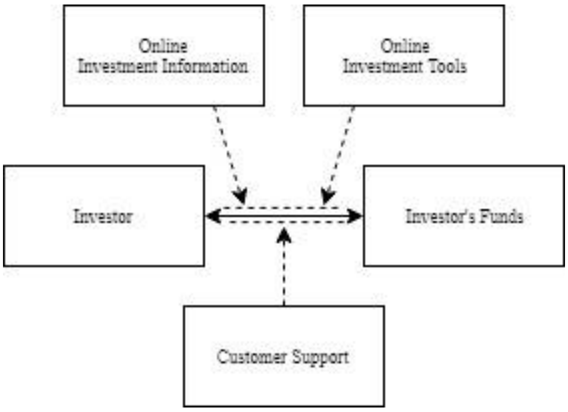


Figure 8. Bespoke Approach to Investment

Compared to Figure 7, the investor's funds are self-managed, either with help of Bespoke's wealth management service, by another company or on a totally individual level. To enable this self-management, Bespoke provides information and tools as support next to minimal customer support like Betterment.

The value creation process of the bespoke analysis service is further analysed with help of the value proposition canvas, since it is a modernised way of value creation for investment advisory and thus, of most interest to this research. The service is aimed to reach independent investors with an interest for investment. These may range from younger customers with small budgets to semi-professional investors. With help of the gathered data, the value proposition canvas is filled in, as can be seen in Figure 9.

Customer Jobs	Product & Service Features
> Independency > Centralised investment information source > Centralised analysis-tool source	> Frequent market updates > Investment ideas > Diversified tool collection
Gains	**Gain Creators**
> Long term strategy development > Market understanding	> Blogs, articles, opinions > Online analysis tools
Pains	**Pain Relievers**
> Level of material too high > Limited historical data	> Easy to read and understand > Thorough data selection

Figure 9. Bespoke Value Proposition Canvas

Firstly, value is created by providing the audience with a central database containing extensive market analysis gathered and done by Bespoke for all strategies and budgets. The investor can then collect all data relevant for their investments. Secondly, analysis tools are provided to accompany data and textual analysis. Investors can perform their own analysis with indicators of their choosing on specific companies.

Bespoke tailors to the needs of investors who want to develop themselves by providing a centralised, active, data-sharing, analysis community where one can establish their own investment ideas from presented articles and tools. The content is made reasonably understandable for beginning investors.

4.2.3 *Modernised Model Summary*

Online presence is a main element contained in both value proposition canvasses of Betterment and Bespoke. Although traditional model companies may be present online, it is not a way of value creation for them. Independency, availability of data, availability of service, control, no intermediary and cost as well as time saving are all demands from customers taken care of by online presence in case of the modernised value propositions.

Just like with traditional models, personalisation seems to play an important role within the filled in value proposition canvasses. Traditionally done by dedicated advisors, but in these cases taken care of by online presence. Customer needs of constant availability of a wide array of tools and information is an example of how online presence helps to accommodate personalisation.

4.3 Hybrid models

Some of the case study company are already adapting new ways of value creation within their companies. They identified the need to not only focus on one kind of service, like traditional, digital or personalised services. Instead, services are being added as support or combined to reach a broader audience or to boost customer satisfaction levels. Two examples are given below, as to provide insights in the already happening changes within the case companies. As an example for traditional companies from the Accenture (2017) consumer study this would imply implementation of automated support or including a younger audience within the target group scope. For the new-fashioned case companies, in order to adapt towards a hybrid model, it means implementation of traditional ways of investment, An example can be human involvement as support, guide or validation, important value creators for customers within the previously analysed traditional models.

Van Lanschot launched an online service called Evi van Lanschot. They aim to reach a younger audience as well as customers who like the ability to invest through an online platform. Van Lanschot recognised possibilities to expand its audience by going online and targeting a different customer group, but yet maintained to keep their image up for higher net worth individuals. This was done by creating the new service as a separate entity and not as a new option within the existing operations of van Lanschot. The goal of Evi is to guide new investors towards reliable investment solutions with help of the private banking experience they normally provide to customers with large assets.

Betterment started out as a company operating solely online and totally automated. As described in the chapter about online models, there is no human advisory role involved within the process of making investments with Betterment. Recently, Betterment started to alter this process. Betterment claims the need of human involvement in the process to improve services or to further expand the company was recognised, but several sites claimed a business model based solely on robo-advisory was not sustainable[7]. Betterment incorporated human advisors as support systems for the customer's decision making. Nowadays, the company provides financial advisors to assist the investor, but only if the investor chooses to reach out for a helping hand. Making use of this so-called "premium plan" enables access to the Betterment Advisor Network, where customers can be paired up with dedicated advisors. Therefore, integrating a traditional approach to investment.

5. DISCUSSION

Results presented in the analysis are explained and interpreted in the discussion. Three essential aspects of differences in value creation between traditional and online models are identified and discussed, namely the extent of online services, the role of the advisor and the level of personalisation. All aspects are judged as major differences in the models and value propositions presented in the analysis and were also presented in the short conclusions on the models in the analysis. In addition, the difference between targeted audiences, based on age and net worth, shown by the value propositions is articulated within each aspect. A generalised, conceptual framework containing all three aspects is presented, which is connected to literature. Finally, the limitations of the research are discussed.

5.1 Online services

A clear difference between the cases, showing both in the approach models as in ways of value creation, is the extent in which online services are used. A traditional company may use none at all, while a heavily automated company may consist solely of online services. To determine the level of online services, the target audience should be (re)considered, as each audience may require different forms of value creation, and therefore has different needs with online services. Judging from the previously stated target audiences from each of the cases, the level of online services offered seems to be inversely related to the factors of age and net worth. An older audience, think of the "babyboom" generation born in the 1940's and 1950's, largely relies on offline advisory services due to growing up "offline". Value is created for them by providing dedicated advisors to build trusted relationships, like Vanguard does. This approach works for now, but this generation is getting older, and therefore not the future of this industry. Younger generations will soon outrank the older generation by population[8]. Younger generations have more online affiliation, and therefore will desire online services with their investment advice. For them, a focus on high convenience achieved by integrating online services like automated support can be main drivers of value creation.

Aging is seen as cause for imminent need for online presence, while the level of desired online presence can be accounted to net worth, the second important factor regarding online services. Traditional companies like Vanguard focus on higher net worth individuals, while currently, most online companies reach out to mass markets to achieve mass investment. Generally speaking, the amount and quality of online services is determined by how much investors are willing to spend on these services. High net worth individuals will demand sophisticated and extensive platforms, information and tools in order to accommodate their needs like specialised investment or high capital empowerment, as identified in the traditional value proposition canvasses. These services can be offered for a higher price than, for example, the standardised, simple dashboard suitable for the mass market. As the mass market mainly concerned with time and cost saving, as is identified in the modernised value proposition canvasses.

Figure 10 illustrates the current concept of age and net worth in relation towards online services. As portrayed previously, in the future age will not impact the level of online services anymore, as everybody will have online presence. Wealth however, remains to be an indicator for the level of online services that should be offered. This Figure serves as illustration, the real relationship is not necessarily linear.

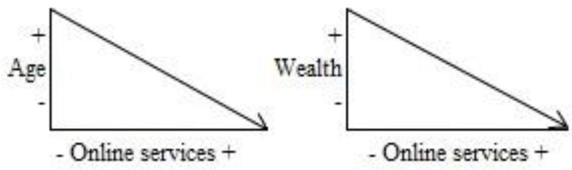


Figure 10. Age & Wealth Inverse Relation to Online Services

It can be concluded that in the future, a long-term, sustainable advantage is not solely created by having online services, and even the amount or quality of the services is difficult as superior aspect of value creation. By aging of the target group, online services become a commodity. Therefore, it is essential value is not only created for current investors, but developed for future investors. For traditional companies this implies diversifying the services they offer by incorporating online presence in the value proposition in terms of high-level information, tools and automation to attract high net worth individuals-to-be. Not to replace the current system, as these investors also value aspects not solved by large online presence. The online services of a company targeting these individuals should act as well-developed support system. For modernised companies this implies loyalty creation. Future high net worth individuals should be connected to the company and not leave to companies like Vanguard when having attained wealth. Therefore, aspects identified in the value proposition canvas for traditional companies should be incorporated, as having high-quality online services will not differentiate an investment company from others like it does currently. Examples of these aspects are specialism or long-term investment continuation guarantees.

7 See: https://www.kitces.com/blog/betterment-digital-raises-fees-adds-plus-premium-and-advisor-network/

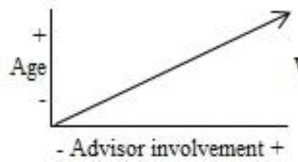
8 See e.g.: http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/

5.2 Role of the advisor

Another clear difference between the cases, is the role the advisor has in the process of investing. Also mentioned in the summaries within the analysis. The traditional approach to investing shows the investor being fully dependent on the financial advisor of the company, who acts as a middle man. On the other hand, the automated approach shows little to no involvement from an investment advisor at all.

Again, a trade-off exists. Traditional companies like van Lanschot should focus on creating value for future investors. Future investors are future high net worth individuals but also younger investors from the mass market. Characteristics of these future investors are identified in the filled value proposition canvasses of the online companies, for example saving cost or time are customer jobs. The traditional role of a financial advisor does not offer the possibility to create convenient, fast, low-cost advice, since the middle man has to be involved in every step the investor takes. A good aspect this method provides, is the amount of trust created between investor and company. In contrast to online companies like Bespoke, where the advisor merely has an informative role. Although negative aspects like time consuming, high-cost middle man are eliminated, the online approach may face difficulties a new form of loyalty via online mediums.

By reviewing the value propositions of both models, it seems a positive relationship exists between age and involvement of the advisor as well as between amount of wealth and involvement of the advisor. Traditional companies attract older and/or wealthier investors, as personal trust is created, which valued by this group of investors. Online companies tend to attract younger as well as mass market investors. This relationship is depicted in Figure 11. Linearity is not proven, but is applied to create a simplified illustration. Just as with Figure 10, it is important to notice this Figure represents the current scenario, future implications are presented with introduction of the conceptual framework in chapter 5.4.



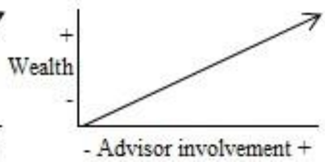


Figure 11. Age & Wealth Relation to Advisor Involvement

In conclusion, the role of the financial advisor should be redefined so companies can cater their approaches towards the younger generations and thereby, future high net worth individuals, in order to create a sustainable advantage in value creation. Therefore, the advisor should not act as middle man, but should neither function as a minimum level of background support. This new approach calls for financial advisors to add value instead of create it. This is done by aligning the goals of an advisors to those of automated advice. Thereby, automated advice will not only save time for the investor, also for the advisor. The newly available time can be used to focus on the one important aspect automated advice is lacking in, relationship building. An example is Betterment, who currently employs financial advisors alongside their robo-advice, as is described in the analysis on hybrid models. The new role of financial advisors expects a different interpretation towards advisory, especially in view of proactivity and versatility. Applying this role in practice acts as an enabler towards the hybrid approach of value creation, where both traditional and modern elements identified in the value proposition canvasses are combined to cater the needs of future clients.

5.3 Personalisation

Personalisation is the last characteristic which stands out from all value propositions and case companies. Not as an important difference, but as similarity. All case companies seem to understand the value of personalisation, either done by applying offline tailor-made solutions with help of dedicated advisors or online services and tools to be customised towards the needs of the investor. It is the level of personalisation that heavily influences the cost of the service, as was the same for the amount and quality of online services. Generally speaking, a high amount of personalisation creates high costs and a standardised procedure creates low costs. Depending on the audience a company targets, they should review which amount of personalisation they want to offer. In the case of personalisation, age does not matter. On a psychological level, the best results are expected to be reached with the highest level of personalisation, thus everybody would want their advice personalised to the highest degree possible. The main characteristic to consider is therefore wealth. High net worth individuals are able to spend more, thus financial advice can be uniquely tailored to their needs. The mass market is looking for facing a tradeoff of lowest-cost, highest-personalised alternatives. Figure 12 illustrates the willingness to spend on personalisation. The consumer study done by Accenture (2017) supports this claim.

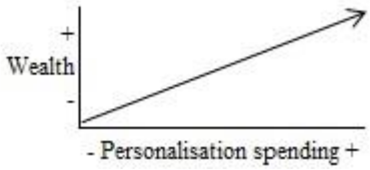


Figure 12. Willingness to Spend on Personalisation

The concept of personalisation is more difficult to generalise, as each individual firm can create value in different ways using personalisation. The main focus should be on selecting which services are meant to be high- or low-cost. The low-cost services will involve automation and do not require extensive human involvement, for example the automated tax-harvesting Betterment offers. These service add value. The high-cost services will be more complex and in need of human involvement, like the specialised financial advisory van Lanschot offers to business professionals like lawyers or accountants. These personalisation services are meant to create superior value.

5.4 Conceptual Framework

The value proposition canvas can be filled in for one target group (Osterwalder, Pigneur, Bernarda, & Smith, 2014). Therefore, when creating or innovating a value proposition the target audience is selected first. For investment advisory this is no different. Firstly, the current scenario will be sketched after which future implications can be reviewed in a second scenario.

5.4.1 Current Scenario Framework

Four typologies are created for value creation strategies based on age and net worth of the targeted audience, and placed in a matrix with four quadrants depicted in Figure 13. The matrix is based on the current population of investors as visualised in Figures 10, 11 and 12, and therefore has a limited shelf-life.

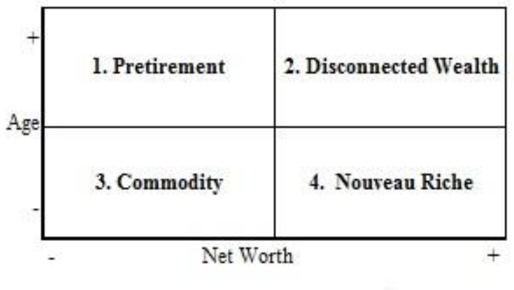


Figure 13. Target Audience Assessment Matrix

The first quadrant, pretirement, is focused on the higher age group close to, or already with, retirement. The audience in the pretirement group belongs to the mass market. This group has set aside some savings and does minor investments with their available capital. Therefore, all services provided to this group should be kept to minimum cost. As a result of lacking online presence, especially in doing online investments, and low net worth the costs and difficulty to reach this group with investment services is high. An example of minor activity of this group in online investment is illustrated in the distribution of the sample from the research by Balasubramanian, Konana and Menon (2003). The combination of high age, low online presence and low net worth makes this group is the least interesting of the four quadrants for investment advisory companies, because sustainable value creation does not seem attainable..

The second quadrant is called disconnected wealth. This group is currently targeted by most large, traditional companies offering investment advice, like Vanguard and van Lanschot. The group consists of offline, high net worth individuals. Growing up before existence of the internet causes a lack of trust and control, hence they prefer traditional, face-to-face investment. Implying they seek high-quality, tailored, secure, trustworthy and mostly offline advice. After the pretirement group, this group is the least interesting to create value for, both nowadays and in the future. Most people contained in this category are loyal and already connected themselves with an established company managing their wealth, thus competition is fierce. Traditional investment advisory companies have to maintain their already developed trust-based relationship while providing their services, as these individuals will most likely not switch between companies easily. As is the case with the pretirement group, this group is starting to get smaller, thus less attractive long-term.

The third quadrant is called commodity, and consist of the mass market of young, low net worth investors. These investors are easy to reach due to their preference towards online advisory. This group is mainly interested in convenient low-cost services, as they do not have a lot of capital available yet. Another trait is low loyalty towards companies this group tends to develop. This is mostly caused by the wide array of (online) alternatives presented to this group. Investment advisory services should target this group by developing low-cost services like van Lanschot did with their previously analysed online-platform Evi. The commodity group also contains wealth-to-be, individuals with the potential to become high net worth. Companies should target these individuals specifically, as to shape a relationship for the future with them. Done by engaging them through online channels made possible by their large presence.

The fourth and last quadrant, nouveau riche, consists of exceptions. Young individuals who acquired wealth at a reasonably young age, for example having become a successful entrepreneur or being born into money.

5.4.2 *Future Scenario Framework*

The most interesting quadrants are three and four, both consisting of the younger age groups, and therefore, the future. These groups are the cause of digitalisation of the investment advisory industry and thus cause the financial technology disruption the industry is currently facing. Extensive online presence is the main cause. As illustrated in Figure 13, both of these groups will develop into other matrix categories by aging or acquiring wealth. This matrix illustrates the post-digital scenario.

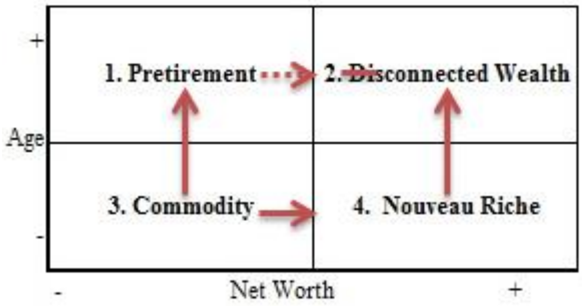


Figure 14. Target Audience Assessment Matrix 2

The commodity group will age and take over the pretirement group, or gain wealth and develop into the connected wealth group. The pretirement group will become non-existing, as people of all ages can be reached via the internet. This group is interesting for companies to target, it will contain all online active, low net worth individuals, therefore having a huge size. Value for this group can then be created by determining the right mix of online services and the level of personalisation. The trade-off is made against the cost structure, an important factor for low net worth individuals.

The noveau riche group will naturally develop into a new category. As can be seen in Figure 14, disconnected wealth will cease to exist and will become the connected wealth group, purely by aging. Not being disconnected anymore is a vital element, and therefore a suitable target group for investment advisory companies. Potential clients should be bonded to the company, as they are willing to spend money to get superior, high-quality online services and tools, accompanied by thoroughly personalised packages.

5.4.3 *Framework Conclusion*

Identification of the right target group is the first step of the framework, as described in the beginning of this chapter. By using both matrixes a long-term selection of target groups can be done, with eye on the innovations currently happening. A start is made with the current scenario to accommodate the already changing ways of value creation, where the end goal is a hybrid model to suit prospective target groups from the future scenario. When targeting a specific sub-group, like van Lanschot does with medical specialists as high net worth individuals, the value proposition canvas can be filled in to identify all possible pains and gains tailored to this specialism. The second step is matching quality of online services, level of personalisation and possibly the role of the advisor with target group and the cost structure belonging to it. For the medical specialist, this would imply personalisation through sector specific online information and tools, human investment support from a sector specialist. As can be seen, these concepts and their characteristics will determine the focal points of value creation. Companies can face challenges when desiring to heavily personalise in mass markets or fall back in the traditional role of the advisor as value creator instead of adding value Lastly, companies should aim to create loyalty. This can be done by focusing on loyalty drivers, although there are many, examples are quality, pricing, customer support, trust and so on (Rothenberger, Grewal, & Iyer; 2008). Loyalty drivers are mostly add value. An example of an exception is the cost structure of Vanguard, where pricing is a way of value creation.

5.4.4 Future Industry Implications

The industry of investment advisory services will conform towards hybrid model implementation, as is made clear within this research. By adopting both dimensions, value propositions can be created to meet any specific customer demand, depending on the target group of the company. The value proposition canvas maintains to be relevant, as key factors of value creation like customisation, performance and newness identified by Osterwalder and Pigneur (2010) are still used. Adapting value propositions towards a hybrid model may cause disruptions in the used business models throughout the industry. This is made clear by looking at the previously introduced definitions and the canvas framework. Teece (2010) defined a business model a financial and organisational structure. When looking at the business model canvas, cost structure and revenue streams account for the financial structure. With development of a new channel, the online medium, revenue streams might have to be altered as revenue can be created several ways online. By changing the role of the advisor, the organisational structure with respect to, for example, key resources and activities should be reviewed. Implications to the business models can mostly be derived from the considerations used to create the future framework and by filling in the company-specific value proposition canvas.

Financial technologies do not only bring a need for change throughout the industry, they also create new opportunities and possibilities. Correct implementation of the hybrid model can directly affect the reach and effectiveness of targeting an audience by using online mediums, which also offer the possibility of larger geographical dispersion. Within companies efficiency is higher due to more automation, and in the end many costs can be lowered. Furthermore, the industry will keep on innovating with new financial technologies. One can think of blockchain innovations or extensive data-analysis.

5.4.5 Theoretical Contribution

The theoretical contribution of this paper on value creation within the investment advisory industry is threefold. Firstly, this research filters definitions and frameworks applicable to the industry and provides meaning to them, and therefore contributes to the development and understanding of investment advisory specific scientific knowledge for value creation. Thereby adding to research already, for example the popular topics of robo-advisory (Jung, Dorner, Glaser, & Morana, 2018) and virtual advice (Cocca, 2016). Secondly, with analysis of traditional and modern value creation models the trend fintech development is explored within the context of changing ways of value creation. A gap in scientific research, as most comparisons between past and future state are not substantial, but act as illustration to show the need for financial technology development. Lastly, with introduction of the conceptual framework the convergence towards a hybrid industry is justified and imminent structural changes within the industry are identified. The role of online services, advisors and personalisation are presented as a new and complete combination to describe the impact of financial technology on the existing industry.

6. LIMITATIONS

Firstly, as literature on business models and value creation is extensive, approaches, definitions and frameworks have to be picked, thereby limiting the scope of the research. One might arrive at different conclusions when adopting other definitions or filling in different frameworks. Thus, this research does not propose a definite framework for the investment advisory industry, it merely illustrates a probable development where the created conceptual framework would be applicable to.

Next, the case study might not be the most representative sample of cases within the industry. Upon selecting the cases, it was aimed to review case companies at both ends of the spectrum, traditional value creation against innovative, modern and young types of value creation. Several factors were not taken into account. Vanguard has a case of unique value creation due to their structure, which might create an unfair comparison against other traditional ways of investment advisory value creation and therefore, not be the right evaluation choice. Also, van Lanschot is a company operating on a national level while the others operate international with most of their activity in the United States. Thus, the data, and consequently the comparison, might be skewed. Lastly, both van Lanschot and Betterment already started to introduce new services to improve their future position within the market. By already having recognised the need for change, these companies are good to review in their past state. The downside this presents is the research can be perceived as lagging towards the current state of the industry.

Lastly, assumptions made in the discussion derived from business reports, consumer studies or the writer’s own opinions may not be applicable throughout the industry or all its potential target groups. Therefore, the findings in this research might be harder to apply for companies than is presented. As more factors than the consumer focus play a role. For example, in practice other elements contained in the business model canvas might be hard to adapt towards the proposed changes in the value proposition.

7. CONCLUSION

By reviewing the four cases with help of the value proposition canvas, three main developmental characteristics were identified. The quality and diversity of online services and tools, enabling high levels of mass-personalisation and the changing role of the advisor are important for future value creation within the investment advisory industry. Companies that fail to change their ways of value creation are failing to create a sustainable advantage. As the influence of the offline generations slowly decrease, online generations thrust the industry into a data-driven, market-oriented, value-adding structure of value creation. Structural changes are not value creation-exclusive, the value proposition largely influences the business model, for example the impact of online development with regard to channels, key activities and revenue streams. These structural changes will be reflected throughout the industry, as existing companies converge towards adaptation of a strong hybrid model.

With help of the developmental characteristics along with a justifiable target audience a conceptual framework was presented. By rebuilding or reviewing currently used value propositions with this framework, companies enable a long-term customer-focused way of value creation. Combined with a company’s own unique way of value creation, like the structure Vanguard provides, they are able to achieve sustainable advantages. Hence, staying competitive in an industry threatened by financial technology disruptions.

Future industry implications have been addressed shortly in the discussion, with examples of blockchain adoptation and big-data involvement as possible follow-up innovations. However, in the context of virtual advisory, the next logical step in the sequence of digital development for investment advisory firms would be integration of machine learning. So-called artificial intelligence (AI) could boost investment advisory to the next level. Scenarios where automated support would become smart and responsiveness are not unlikely. If this happens, the three concepts of online services, personalisation and the role of the advisor need to be reconsidered again, but remain to be relevant for the industry. AI could enable tailoring towards even more possibilities of online services applications and levels of mass personalisation not seen before. The role of the personal advisor could yet again be revisited, to possibly be reduced to function as an AI-trainer and emotional support provider. The influence of financial technology development will force the industry of investment advisory to keep on innovating for an unforeseeable amount of time, therefore remaining of large scientific interest.

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