Digital Transformation at Fidelity Investments

An interview with
Vinod Raman, Head of Digital Advice Solutions, Fidelity Investments

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How Fidelity's automated digital advice solution is transforming wealth management for investors and advisors

Automated digital advice platforms, commonly known as robot-advisory platforms, have seen accelerated adoption over the last three years due to the promise of low-cost wealth advice, enabling wealth managers to serve new profit pools of mass and mass affluent clients. Legacy wealth and brokerage firms are vying to build rapid scale and leadership in this new market. The initial accelerated adoption is slowly reaching a plateau as leaders compete to scale to the next heights by incorporating new data, AI, and digital experiences.

Fidelity's bold foray in this space with the AMP platform is generating keen interest and adoption from leading banks and RIAs. Though, the best is yet to come.

Read the perspective of Vinod Raman, Head of Digital Advice Solutions at Fidelity, as he talks to Arpan Dasgupta, Head of Financial Services at Fractal Analytics.

Arpan Dasgupta: As the builder and product owner of the Fidelity AMP robot-advisory solution, can you tell us a little bit more about the platform?

Vinod Raman: Fidelity AMP is an end-to-end digital wealth management solution.

The first leg of the stool is the interaction with end investors and advisors, which offers recommendations and ongoing digital services in a goal-oriented fashion.

The second leg of the stool is Fidelity-offered brokerage services, such as account opening, money movement, and transfer of assets. The core brokerage capabilities, trading, and custody services are offered by Fidelity.

The third leg of the stool is Geode Capital Management offering core investment management services.

Combining this all together, AMP looks at investors' holistic risk profiles and offers recommendations towards achieving their goals, such as buying a home in three years.

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Once that happens, the brokerage services kick in. In a matter of minutes, the investor can open and fund that account. Then, the investment management services kick in, where

Geode starts managing that portfolio. From there, the investor continues to interact with the portal and gets access to all the brokerage capabilities and sophisticated investment management capabilities.

This end-to-end solution has received tremendous traction in the last year or so since we launched. We've had big banks, broker dealers, and RIAs go live, and that's where we are right now.

Arpan Dasgupta: Why is robot-advisory important for Fidelity? Is the industry heading towards automated digital advice?

Vinod Raman: Absolutely. The industry is clearly heading there. There's been a proliferation of robot-advisory solutions that are gaining market share. Providers come in from startups as well as incumbents.

Aside from industry dynamics, there are three important reasons from my perspective that we decided to offer robot-advisory services.

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One is access to a new customer base. A lot of our clients—such as RIAs, banks, and broker dealers—don't have the time or the ability now to manage clients below a certain asset base like $500K-$1M. Robot-advisory is opening a whole new segment of customers that these firms can begin to target with different strategies. An RIA might be interested in serving the family of an HNI that, traditionally, they couldn't have served profitably. A bank might be interested in cross-selling digital capabilities along with lending and savings accounts they currently offer. A broker dealer might want to bring someone who's under half a million onto this digital platform, serve them in an efficient manner, and eventually transition them into a full-service model. So, it opens your world to a whole new customer base or asset base. That's one reason.

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Secondly, investors are asking for more digital technologies that are delivered in a simple, intuitive, and digital fashion. We also want to out-serve other financial services competitors that are providing a full suite of digital capabilities and services online to financial institutions and their end investors.

The third important reason is democratizing financial education. Especially with lower asset base investors, financial education is still in its nascent stages. It's not easy for a layman to understand sophisticated financial products, where they should invest, and how they should invest. Robot-advisory solutions allow you to leverage data, provide simple and intuitive digital experiences, offer financial products that people have not had access to, and help with financial education.

It's the combination of those three forces that motivated Fidelity to offer our own digital advice solution.

Arpan Dasgupta: Since the AMP platform is targeted to end investors, some of whom may not be financially savvy, how well is the platform adapted to be relevant and targeted with recommendations for individual investors?

Vinod Raman: We've done a lot already with Fidelity AMP, which has set it apart in the market. It's the nation's first planning-oriented, goals-based digital advice solution. As part of the workflow, we've been able to not only collect data but also intelligently analyze it and provide the right recommendations. Additionally, eMoney allows the advisor to collect some information from the investor and other aggregators. The advisor can then run analyses such as: Does this investor have debt somewhere? Has this investor aggressively invested in another portfolio? How is this investor doing with respect to retirement?

The advisor can then come up with additional tailored recommendations for the investor.

It starts with recommending a portfolio, but it dœsn't stop there. It allows the advisor to collaborate with the end investor to intelligently source information from a host of data sources, such as banks, other financial institutions, and brokerage firms. Then, it determines the holistic financial profile of that investor across debt, savings, investments, and their overall risk profile. It goes as far as saying, "Is the investor aggressively invested in retirement versus not?" It's a heavy, data-driven exercise with all the necessary regulatory guidance taken into consideration.

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Arpan Dasgupta: All of this must have substantial investments around data, analytics, technology, and people. What did it take to bring it all together? What are some fundamental choices that you made that caused this product to be a success?

Vinod Raman: It has been a multi-year journey since we first developed the strategy.

Along the way, we have made many transformations in our business and operating model as we worked closely with internal and external partners.

A major ongoing transformation has been to move towards agile development (on the tech side). Fidelity acquired eMoney—a financial planning software—and the underlying AMP technology combined Fidelity and eMoney's software. However, eMoney is more of an agile shop, while Fidelity is more of a waterfall shop. We made key organizational and structural shifts to re-orient everybody to an agile mindset and collaborated closely with eMoney to accommodate such a large initiative as AMP.

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The second big structural change was creating a partnership ecosystem after the strategic evaluation of build vs. buy. Apart from co-developing with eMoney, which was an excellent choice, we also partnered with a host of other providers, including financial services providers such as EWS (from Wells Fargo), Fiserv, and Vestmark. We partnered where it made sense, especially with respect to sourcing data, analyzing data, and digital experiences.

We also made a big shift culturally. We emphasized the spirit of pace over perfection, empowered our teams to quickly make decisions, and accelerated development.

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We partnered closely in parallel with multiple internal groups such as finance and legal compliance.

Arpan Dasgupta: How do you see AMP evolving over the next couple of years?

Vinod Raman: We launched AMP in 2018 with different firms such as Fifth Third Bank, First Tennessee Bank, HD Vest Financial Services, and a couple of large RIAs. We have over 200 firms in the pipeline.

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Going forward, our focus is three-pronged. One area of focus is to offer additional portfolio flexibility/configuration options to our clients by enhancing our platform capabilities.

The second area of focus is retention. How can we continuously learn about the investor, personalize our services, and retain the investor? We'll continue to help our institutional clients do this more effectively and use data and technology to do that.

The third focus is around scale. Our pipeline continues to grow. Next year, our focus is to quickly get more clients on the platform.

Arpan Dasgupta: With recommendations coming from AI and machine-learning, there is always the question of adoption. Have advisors or end investors questioned whether the recommendation is right for them or whether they should believe it?

Vinod Raman: Yes. Especially in the advisor world, we've faced challenges around the advisors saying, "If the tool is intelligently taking all this information and providing advice in an unbiased fashion, is it replacing me?" So, that's a big adoption barrier that we must break. Then, if you look at the end investor side, the tool is taking all this information and providing them the recommendation. The question they ask is, "How do I know this is right for me, and am I educated enough to know that this looks right based on what I think my financial profile is?"

We see these kinds of technology as augmenting the work that advisors do. The way we are approaching that within my team—and broadly at Fidelity as well—is that we are very use-case-driven. The big business use case has been acquisition. How do you acquire more investors? How do you get the right investor on the platform? Then, once you get them on the platform, how do you not only cross-sell, but how do you retain them? That's because we've seen investors come onto the platform and open accounts but hesitate about funding them. Or after they fund the accounts, they start thinking about potentially closing the account and leaving the platform, especially since there was some volatility this year.

We prioritize these business use cases internally and marry it with how data and AI can drive incremental impact. We ask the questions: Is AI the right way to solve it? Does AI have everything it needs to be able to solve this problem? And if it dœs, then we say that's the number one priority for us next year.

When it comes to adoption challenges, we are continuing to work on education both on the advisor side as well as on the investor side. One of the other big areas of focus this year has been practice management for advisors driven by three or four digital strategy consultants. The sole focus of these practice management consultants is to work with our clients, advisors, broker dealers, and banks to inform them about how the digital world is evolving, how wealth management itself is evolving, and help clients make that transition.

From the investor standpoint, our focus continues to be education. What else can we provide in their ongoing experience that really helps them understand what services we are offering and what products we are selling to improve the adoption metric on the investor side?

Arpan Dasgupta: Who do you see as competition in this space other than the startups? Do you see other institutional wealth managers also providing this service?

Vinod Raman: The one thing I keep telling my teams is, "Don't think of traditional financial services firms as your competitor. Think of internet firms such as Amazon or Google as your competitor." Because that's what's happening here in this space. Investors are not comparing the Fidelity experience with the experience they might get at other financial institutions. They

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want to compare that experience with what they get on Amazon. In my mind, it's the advanced technology companies that are our competitors in the financial services world, more so from an experience, product delivery, and usage standpoint.

From a product innovation standpoint, we've done a lot with offering sophisticated financial products through the digital advice solution. But with everything becoming digital, the whole internet ecommerce space is competition. Investors are asking for more digital capabilities, and they want to do everything seamlessly at the click of a button.

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This space is certainly up-and-coming and exciting. There's a lot of innovation going on. What's really exciting about the space is the true intersection of financial services and technology, powered by data and artificial intelligence. A lot of evolution is going to happen within the next 3-5 years, which is exciting for all of us.

About Fractal Analytics

Founded in 2000, Fractal Analytics is a strategic analytics partner to the most admired Fortune 500 companies globally and helps them power every human decision in the enterprise by bringing analytics & AI to the decision-making process.

Fractal has built several cutting-edge AI product startups within its ecosystem across industries, including:

- Qure.ai to transform how radiologists make diagnostics' decisions. Qure's qXR solution is the first AI-based Chest X-Ray interpretation tool to receive CE certification. Qure's recently-launched qER solution for interpreting head CT scans has been proven to have more than 95% accuracy in identifying abnormalities.

- Cuddle.ai to transform how executives make tactical and operational decisions. Cuddle automatically alerts users on what they need to know about their business and allows them to ask questions about their business in natural language.

- Trial Run to improve strategic and operational decisions. Trial Run is a cloud-based experimentation platform that enables companies across verticals to test, measure and refine strategies before rollout.

Fractal has more than 1,200 consultants spread across 15 global locations including the United States, UK and India. Fractal has been featured as a leader in the Customer Analytics Service Providers Wave™ 2017 by Forrester Research, a Great Place to Work by The Economic Times in partnership with the Great Place to Work® Institute and recognized as a 'Cool Vendor' and a 'Vendor to Watch' by Gartner.

For more information: www.fractalanalytics.com