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## Britain invaded! By robo-advice!

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By Editorial Staff      Thu, Apr 9, 2015

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*'The low-margin business of fund distribution is being standardized, innovative digital propositions are flourishing, and layers of distribution are being removed' in the U.K., according to a new report from Cerulli Associates.*

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Given the rough similarity between the U.K. and U.S. retirement markets—especially now that the U.K. no longer requires annuitization of tax-deferred savings—trends in investor behavior in the U.K. often mirror trends in investor behavior here.

Take robo-advice, for example. The digital channel is having as disruptive an impact in the U.K. as in the U.S. According to Cerulli's *European Distribution Dynamics 2015* report, in the U.K. "the low-margin business of fund distribution is being standardized, innovative digital propositions are flourishing, and layers of distribution are being removed."

More than 82% of the international asset managers say that the market share of direct-to-consumer and D2C platform distribution in the United Kingdom will grow over the next five years, according to a Cerulli survey. "Fifty-four percent of them think that it will grow significantly. But they are also optimistic about the outlook of these channels in the rest of the continent," a Cerulli release this week said.

"Roughly half of asset managers said their marketshare will grow in Germany, France, Italy, Spain, and Sweden. The rest stated that the marketshare will stay roughly the same and only a tiny minority thinks that it will fall. Managers were less bullish about Switzerland, though. Only one-third of those surveyed anticipated that marketshare will 'grow somewhat,'" the release said.

Cerulli advises European firms to take the kinds of steps that Vanguard, Fidelity, Schwab and Northwestern Mutual have taken in their development or acquisition of digital advisory and distribution capabilities.

Angelos Gousios, associate director with Cerulli in London, and co-author of *European Distribution Dynamics 2015: Preparing for a New Era*, said, "Managers can benefit from the digital revolution in various ways: by renovating their proprietary D2C distribution facilities, by becoming a key partner of an online distributor or taking a financial stake in one, or finally go it alone and try selling their funds directly to the general public themselves."

In the release, Barbara Wall, Europe research director, said, "There's a global trend toward

robo-advice that should not go unnoticed. It started in the United States, with companies like Wealthfront gaining traction and it is spreading in Europe—Nutmeg in the United Kingdom and MoneyFarm in Italy—and also in Asia, with 8 Securities in Hong Kong.”

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