

# Adoption of a Comprehensive Web-Based Wealth Management Service

*Tomi Dahlberg, Aalto University, Finland*

*Anssi Öörni, Aalto University, Finland*

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## ABSTRACT

*The design of electronic financial services differ crucially from that of conventional services due to their inability to adjust sporadically to the needs and wants of consumers, as adaptability is strongly associated with the human component of services production. In this regard, identification of the motives driving adoption and consumption is the precondition for successful implementation of electronic services. This article reports the results of a survey conducted for an R&D project with the objective to design an innovative and comprehensive wealth management service for consumers, a service that is offered mainly via the internet. In this study, the authors found that the conventional wisdom of mainstream finance and technology adoption theories, return-risk thinking, and cost-benefit analysis of product characteristics were insufficient to predict adoption. Rather, the adoption decision appears to be dominated by the perceived fit between the new service and the consumer's established consumption patterns.*

**Keywords:** *Electronic Services, Financial Services Industry, Online Banking, Online Insurance Brokering, Users Attitudes*

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## INTRODUCTION

Wealth management has become more important to consumers. In developed economies, the shapes of population pyramids, the traditional roles of families and the ties between family members have changed. Furthermore, despite the recent recession, consumer wealth has accumulated to levels never before experienced (Hamilton, 2007). A growing number of consumers are left with excess funds after covering the costs of everyday living. These and other

developments have impacted social security services both publicly and privately funded. Consumer wealth management is the means to plan and balance income and expenses over longer periods of time and to provide financial security (Asher, 2001), for example, to complement publicly funded social security or to maintain good quality of life after retirement.

Private banking, insurance planning and various investment services have been offered to the wealthiest consumers for a long time. From a service provider's perspective, it is uneconomical to offer such personalised services to all consumers due to high costs. Other

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service production and distribution channels, especially those facilitated by the internet and IT, offer the possibility to address the wealth management needs of consumers who are not given access to personalised services. Service production costs can be reduced by combining electronic and personal services, as consumers take care of some service process tasks themselves via self-service, routines are automated and personalised services are restricted to the most demanding service process tasks (Apte & Vepsäläinen, 1993). A service provider may also want to offer better integrated overall service to consumers and by doing so to overcome the product silo effect (Lessard & Zaheer, 1996) which is typical for the finance industry.

The complexity of financial instruments, markets and services makes the management of wealth, such as the selection of instruments, financial services or wealth management service provider(s), a challenging task for the consumer. Moreover, the consequences of decisions and wealth management behaviour in general fundamentally impact the consumer's wellbeing. It can thus be argued that wealth management and related decisions require significant commitment from the consumer, both intellectually and otherwise. Consequently, wealth management is also well suited for research exploring the adoption of services facilitated by the internet.

In light of this, we participated in an R&D project in 2007 and 2009 funded by the Finnish Technology Agency with the target of designing and implementing a new "innovative comprehensive wealth management service for consumers", used mainly via the internet. In addition to academic researchers from Finland and the US, the project involved a major Finnish banking and insurance group, a major Finnish business media company, the Financial Supervisory Authority of Finland and the Federation of Finnish Financial Services.

Due to high service development investments, one of the key considerations was whether the intended users would adopt the developed service and if so, what factors encouraged them to do so. How the service provider should investigate consumer attitudes in order

to understand what drives consumer behaviour is another related issue. This article reports the results of our consumer survey with a focus on two research questions: (1) to what extent does cognitive deliberation explain consumer attitudes towards the developed web-based service and (2) what are the main components of this deliberation? Cognitive deliberation is a concept in cognitive psychology which describes behaviour where an individual determines future action(s) based on consciously processing information as opposed to relying on habits, intuition and situational factors.

In the next section, the theoretical background of our study is described. Consumer research is reviewed, as well as theories in cognitive and behavioural psychology. As the content of web-based wealth management services relies on financial markets and information technology, cognitive deliberation propositions offered by mainstream finance theory and information technology adoption research are also discussed. Since alternative and at least partially competing theories are reviewed, an exploratory approach is adopted in this article without postulating a priori to what extent cognitive deliberation explains consumer attitudes or what the components of this deliberation are. In section three, the developed comprehensive wealth management service is described. Section four addresses methodological issues, particularly survey instrument development. Section five provides empirical results, which show that cognitive deliberation explained approximately one-half of respondents' behaviour, and that four components of consumer behaviour accounted for almost 70% of deliberation. Finally, conclusions, remarks on the limitations of our research and implications for researchers and practitioners are presented.

## THEORETICAL BACKGROUND

The debate on the role of conscious deliberation versus habits, intuition and situational factors as the drivers of decision-making and behaviour is longstanding. Greek stoic philosophers, for

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