

WRITTEN CONSULTING CASE ASSIGNMENT

FINAL COPY

Naunidh Singh

TO: Simon Lejeune, Senior Director, Acquisition, Wealthsimple (WS)
FROM: Naunidh Singh
DATE: June 27, 2024
SUBJECT: Wealth simple case analysis and recommendation.

Recommendation: Leverage Wealthsimple's Cash App to Offer Advanced Trading Courses and TMX Trading Software, Enhancing Gen Z Engagement and Financial Literacy.

Wealthsimple offers a range of products, but Generation Z requires a risk-free environment to encourage investment. According to a McKinsey survey, Gen Z is more risk-averse when it comes to investing (Is Gen Z up for a Little Game of Risk?, n.d.). They start investing young and need an experience that works, given their short attention span (Why Gen Z Is Native Fintech and How It Behaves on These Platforms, n.d.). This presents an opportunity for Wealthsimple to engage Generation Z by leveraging its Cash app and offering advanced trading courses in short video lectures. These courses will incur minimal additional costs as Wealthsimple is already focused on educational content for Gen Z. Integrated with the TMX Trading software, which Wealthsimple highly recommends (Best Stock Market Simulators in Canada | Wealthsimple, n.d.), this setup will provide a superior risk-free environment for users to practice trading. Upon opening a Cash account, students will gain free access to these resources. Competitors like Interactive Brokers and WeBull Trading have proven this strategy successful (refer to Exhibit A for a company valuation analysis). This approach provides valuable financial education and ensures the lowest customer acquisition cost (CAC) possible (refer to Exhibit B for objectives met).

Decision Criteria:

1. Enhancing Gen Z financial literacy
2. Reduced customer acquisition cost
3. Create large engagement that acquires students for a positive payback.

Enhancing Gen Z Financial Literacy with Online Courses and TMX Paper Trading Software.

According to McKinsey, thousands of digital creators claim to help Gen Z make better financial decisions. However, many of these "finfluencers" are paid to promote financial services that may not work for everyone, leading to misinformation and presents an opportunity for companies to provide trusted financial content(*Gen Z Personal Finance*, n.d.). Offering advanced trading courses,

coupled with TMX Trading software, will address this need. The integrated TMX Trading software allows users to practice trading in a risk-free environment, bridging the gap between theoretical knowledge and real-world application. This setup enables traders to try out new features, order types, and test trading strategies in a simulated environment, fostering a deeper understanding and capability in financial decision-making.

Leveraging the Cash App to Reduce Customer Acquisition Costs.

Based on the SWOT analysis, Wealthsimple's established user base and low CAC on the Cash app present a significant advantage (refer to Exhibit C for SWOT analysis). By leveraging the Cash app, students who open a Cash account will gain access to valuable resources, including advanced trading courses and TMX Trading software. This integration combines low customer acquisition costs (CAC) with the added value of educational tools, enhancing conversion rates and making the acquisition process more efficient and cost-effective. Identifying the Cash app as the optimal starting point for new users further lowers CAC (refer to Exhibit D for a detailed CAC Comparison and Explanation).

Offering Advanced Trading Courses and TMX Trading Software to Attract Gen Z in Large Numbers for a Positive Payback.

A recent study suggests that Generation Z tends to avoid choices that involve higher risks, often opting for lower-risk alternatives (Iswari & Budiyo, 2024). Additionally, according to Wealthsimple, 43% of Gen Z are afraid they won't make enough money. By providing a risk-free environment, Wealthsimple can attract Generation Z in large numbers. Leveraging the Cash App to offer advanced trading courses and TMX Trading software can significantly increase engagement by providing value-added services that cater to both novice and experienced users. These courses, combined with the practical experience offered by TMX Trading software, will help alleviate financial anxieties by equipping users with the knowledge and tools they need to make informed decisions.

This approach encourages users to stay within the Wealthsimple ecosystem and drives the adoption of multiple Wealthsimple products such as Trade, Invest, and Crypto. Engaged users are more likely to explore and utilize additional Wealthsimple offerings, increasing overall product usage and ensuring a positive payback (refer to Exhibit F, for an estimation of positive payback in terms of profits).

Implementation plan

The implementation of the proposed recommendation will be carried out in three phases. In the initial phase, the project scope and objectives will be defined, a project team will be formed, a detailed project plan will be developed, and necessary approvals and budget will be secured. The medium-term phase will focus on designing and developing the courses and software, launching a pilot program in select universities, developing a marketing strategy, and collecting and analyzing pilot feedback. In the long-term phase, the program will be rolled out nationwide, continuous monitoring and support will be provided, content and software will be regularly evaluated and updated, and efforts will be made to promote cross-selling of Wealthsimple products, ensuring a smooth and efficient implementation, leading to enhanced engagement with Generation Z and a positive payback (refer to Exhibit G for detailed Gantt chart).

Risks and Contingency Plan

Our recommendation involves four major risks, thoroughly discussed in Exhibit H. The first is the potential failure of the partnership with TMX. If this occurs, Wealthsimple can partner with other reputable trading software providers to ensure service continuity. The second risk is the poor quality of advanced trading courses, as contingency if issues persist, developing and maintaining a small in-house team to improve and update course content is a contingency plan. The third risk involves the poor quality of paper trading software, especially since the existing TMX trading software does not reflect real-time data. Necessary enhancements should be made and tested continually. Lastly, low user adoption and engagement is a risk. If engagement remains low, utilizing pilot testing feedback and Wealthsimple's existing referral programs can serve as contingencies.

Exhibit A (Wealth simple and competitors, value analysis) (*PitchBook Profile - Wealthsimple, n.d.*)

	Wealthsimple	Brokers Interactive	Webull
Description	Developer of a financial trading brokerage firm offering platform intended to assist users in achieving freedom by products and accessible currencies, bonds and	Operator of a financial analytics online trading solutions for traders, investors and advisors, with direct access to stocks, synergizing technology with finance.	Developer of advisory and investment platform financial committed to providing advice that are and affordable.
Primary Industry	Brokerage	Brokerage	Financial Software
HQ Location	Toronto, Canada	Greenwich, CT	Saint Petersburg, FL
Employees	1,000 2022	2,951 2024	846 2024
Total Raised	\$875.63M	\$1.20B	\$351.68M
Post Valuation		\$4.00B 03-May-2021 \$3.60B 172007	\$1.21B ^E 04-May-Feb-2021

Exhibit B (Recommendation is complete)

MEETING OBJECTIVES FOR W.S.	
FOCUSES GENZ	YES
HELPS GEN Z BETTER USE FINANCIAL TOOLS	YES
DEIFFERENTIATES W.S.	YES
LET'S EVERYONE IN	YES
EASY TO USE	YES
COST LESS	YES
TALK LIKE HUMAN	YES
TRANSPARENT	YES
CREATES TRUST	YES
LOCK IN CUSTOMERS	YES
POSITIVE PAYBACK	YES
ENHANCES CROSS SELLING OPPORTUNITIES	YES
LOW CAC	YES

COST EFFICIENT FOR W.S. AND USERS	YES
-----------------------------------	-----

Exhibit C (SWOT)

Strengths	Weaknesses	Opportunities	Threats
Established Brand and User-Base Comprehensive Product Offering User-Friendly Platform Low Customer Acquisition cost through cash app	High Dependence on ICT Suppliers Limited Differentiation	Growing Fintech Market: Cross-Selling Potential:	Intense Competitive Rivalry Regulatory Challenges Risk of Substitution:

Exhibit D (Customer Acquisition Cost Comparison)

Acquisition Channel	Current CAC (per client)	Expected CAC
Paid Digital Channels	\$200	\$100 (Advanced courses and TMX Trading software reduce the need for costly marketing campaigns.)
Referrals	\$50	\$30 (Advanced courses and TMX Trading software reduce the need for costly marketing campaigns).
On-the-Ground Strategies	\$20	\$15(On-ground events featuring advanced courses and TMX Trading software lower client acquisition costs)
Organic Customer Acquisition	\$0	\$0
Blended Cost	\$125	\$60(Blended cost drops)

Exhibit E (Five Forces)

FORCE	Impact on Wealthsimple
Supplier power	High: fintechs and banks depend heavily on ICT infrastructure provided by a few large suppliers like IBM or Microsoft(<i>Canada - Retail Savings & Investments</i> , n.d.).
Threat of new entrants	Low: High capital requirements, strong brand loyalty, and extensive infrastructure and the need for economies of scale and high trust levels further reduces the threat of new entrants(<i>Canada - Retail Savings & Investments</i> , n.d.).

Threat of substitutes	Moderate: There are numerous alternatives such as life insurance, pension schemes, real estate, and alternative investments(<i>Canada - Retail Savings & Investments</i> , n.d.).
Rivalry among existing players	High: Market dominated by the presence of the Big Five (Royal Bank of Canada, Scotiabank, Bank of Montreal, Canadian Imperial Bank of Commerce, and Toronto Dominion) and numerous alternative providers intensifies competition(<i>Canada - Retail Savings & Investments</i> , n.d.).
Buyer Power	Moderate: Individual consumers have limited power. However, the large number of potential customers and low switching costs for some products increase buyer power(<i>Canada - Retail Savings & Investments</i> , n.d.).

Exhibit F (Positive Payback)

Key Assumptions	Details	Amount (per year)
Account Management Fees	0.5% for accounts up to \$100,000, 0.4% for accounts above \$100,000(<i>Wealthsimple</i> , n.d.)	
Currency Conversion Fees (USD accounts)	1.5% on CAD and USD conversions(<i>Wealthsimple</i> , n.d.)	-
User Acquisition Estimates	Assumption: 150,000 new users per year (5% of existing 3 million users), 20,000 referral users per year	-
Average Portfolio Size	Assumption: \$10,000	-
Percentage of Users Converting Currency	Assumption: 30%	-
Average Conversion Amount	Assumption: \$1,000	-
Percentage of Users Subscribing to Premium Services	Assumption: 10%	-
Premium Service Fee	\$10/month(<i>Wealthsimple</i> , n.d.)	-
Revenue Projections	-	-
Account Management Fee Revenue (New Users)	150,000 users * \$10,000 * 0.5%	\$7,500,000
Account Management Fee Revenue (Referral Users)	20,000 users * \$10,000 * 0.5%	\$1,000,000
Currency Conversion Fee Revenue	51,000 users * \$1,000 * 1.5%	\$765,000

Premium Services Revenue	17,000 users * \$10 * 12	\$2,040,000
Total Projected Revenue	\$7,500,000 + \$1,000,000 + \$765,000 + \$2,040,000	\$11,305,000
Cost Projections		-
Customer Acquisition Costs	150,000 users * \$60(new cost)	\$9,000,000
Development and Maintenance Costs	Estimated: \$500,000 per year	\$500,000
Total Costs	\$9,000,000 + \$500,000	\$9,500,000
Net Positive payback/profit	Total Projected Revenue - Total Costs= \$11,305,000 - \$9,500,000	\$1,805,000

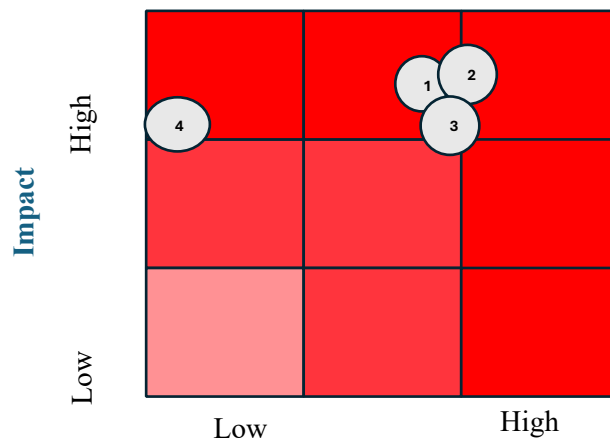
Note: The above calculations provide an estimated revenue, which could be significantly higher, excluding potential crypto investment customers.

Exhibit G (Gantt Chart)

	Initial Phase (< 1 MONTH)	Medium-Term Phase (1 – 3 MONTHS)	Long-Term (> 3 MONTHS)
Define Project Scope and Objectives			
Form Project Team			
Develop Detailed Project Plan			
Secure Necessary Approvals and Budget			
Design and Develop Courses and Software			
Partner with TMX Trading			
Conduct Pilot Testing for Courses			
Marketing Strategy Development			
Pilot Program Launch			
Collect and Analyze Pilot Feedback			
Revise Courses and Software Based on Feedback			

Nationwide Rollout			
Monitor and Support Program			
Evaluate and Update Content			
Promote Cross-Selling of Wealthsimple Products			

Exhibit H (Risks,Mitigation, Contingency and Heat Map)



Likelihood		
Risks	Mitigation	Contingency
1. Failure of Partnership with TMX	Conduct thorough due diligence before finalizing the partnership. Ensure clear contractual agreements to specify roles, responsibilities, and expectations. Maintain regular communication with TMX to address any issues promptly.	Partner with other reputable trading software providers, have a backup plan for integrating another trading software quickly to minimize disruption.

2. Poor Quality of Advanced Trading Courses	Involve industry experts in the development of the courses. Gather extensive user feedback during pilot testing phases. Regularly update the content based on feedback to ensure it remains relevant and effective.	Develop and maintain a small in-house team dedicated to continuously improving and updating course content. This team can create custom content tailored to users' needs and ensure the courses remain up to date with market trends.
3. Poor Quality of Paper Trading Software	Conduct thorough testing of the paper trading software before full rollout. Focus on user experience and interface design. Establish a feedback loop to quickly identify and address any issues users encounter.	Make the required enhancements based on user feedback. Implement a "ship it then fix it" approach to deploy updates quickly. Continuously monitor the software's performance and user satisfaction, making iterative improvements as needed.
4. Low User Adoption and Engagement	Implement targeted marketing campaigns to raise awareness and interest. Ensure the user interface is friendly and intuitive. Establish a continuous feedback loop to understand user preferences and barriers to adoption.	Use pilot testing feedback to refine the offerings. Leverage Wealthsimple's existing referral programs to encourage current users to invite friends and family to boost user engagement and adoption rates.

References

Best Stock Market Simulators in Canada | Wealthsimple. (n.d.). Retrieved June 24, 2024, from

<https://www.wealthsimple.com/en-ca/learn/best-stock-market-simulators-canada>.

.Canada—Retail Savings & Investments. (n.d.). Retrieved June 22, 2024, from

<https://advantagemarketline-com.libproxy.wlu.ca/Analysis/ViewasPDF/canada-retail-savings-investments-178627>

.Gen Z Personal Finance. (n.d.). Retrieved June 22, 2024, from

<https://www.mckinsey.com/~/media/mckinsey/email/genz/2023/08/2023-08-22a.html>

Is Gen Z up for a little game of risk? (n.d.). Retrieved June 24, 2024, from

<https://www.mckinsey.com/~/media/mckinsey/email/genz/2023/05/2023-05-23b.html>

Iswari, T. I., & Budiyo, E. F. C. S. (2024). Preference by Gender among Z Generation on Risky

Decision: A Survey on Business and Economics Students. *Review of Integrative Business and Economics Research*, 13(3), 272–290, from

<https://www.proquest.com/pq1business/docview/2886396002/abstract/32E456626E444BAD>

P

[Q/1?parentSessionId=hZRuUTXcU%2BPGYWCSqYlqGZecDL0I85GTJNzjWbrRvQk%3D](https://www.proquest.com/pq1business/docview/2886396002/abstract/32E456626E444BAD)

[&sourcetype=Scholarly%20Journals](https://www.proquest.com/pq1business/docview/2886396002/abstract/32E456626E444BAD)

PitchBook Profile—Wealthsimple. (n.d.). Retrieved June 27, 2024, from [https://my-](https://my-pitchbookcom.libproxy.wlu.ca/profile/97519-69/company/profile#comparisons)

[pitchbookcom.libproxy.wlu.ca/profile/97519-69/company/profile#comparisons](https://my-pitchbookcom.libproxy.wlu.ca/profile/97519-69/company/profile#comparisons)

Wealthsimple: Make your money make more money. (n.d.). Retrieved June 27, 2024, from

<https://www.wealthsimple.com/en-ca/legal/fees/trade>

Why Gen Z is native fintech and how it behaves on these platforms. (n.d.). Retrieved June 22, 2024,

from [https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-](https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-a7d1-4133-aba2-812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A69B2-JVJ1-JCG7-83DC-00000-00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al)
[a7d1-4133-aba2-](https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-a7d1-4133-aba2-812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A69B2-JVJ1-JCG7-83DC-00000-00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al)

[812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem](https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-a7d1-4133-aba2-812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A69B2-JVJ1-JCG7-83DC-00000-00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al)
[%3A69B2-JVJ1-JCG7-83DC-00000-](https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-a7d1-4133-aba2-812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A69B2-JVJ1-JCG7-83DC-00000-00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al)

[00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al](https://advance-lexiscom.libproxy.wlu.ca/document/?pdmfid=1516831&crd=89b3148b-a7d1-4133-aba2-812831340083&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A69B2-JVJ1-JCG7-83DC-00000-00&pdcontentcomponentid=443607&pdteaserkey=sr5&pdtab=al)