FinTech Unit 1 Homework: Case Study
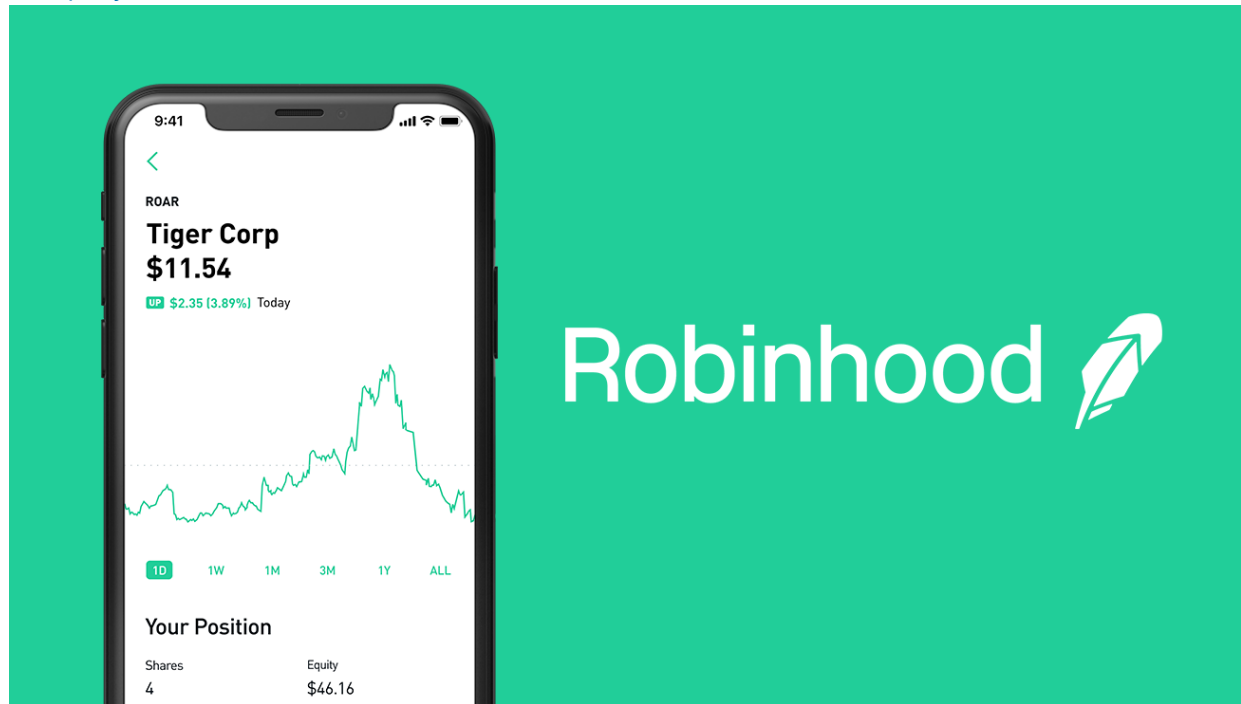
Domain: Robo-adviser

Company: Robinhood

Company Website

Overview and Origin

- The company was founded in April 2013

- Vladimir Tenev and Baiju Bhatt are the founders of the company

- The company's mission was to "provide everyone with access to the financial market, not just the wealthy". The founders believe that traditional investment brokerage firms are charging too much on fees; they decide to create a platform where investors can trade commission-free

- The Robinhood app first showcased at LA Hacks, and launched in March 2015. The company initially raised $110 million at a $1.3 billion valuation; then went through a $363 million Series D financing. The company had raised a total of $539 million in venture capital funding, with the last valuation at $5.6 billion

Business Activities:

- Make unlimited commision-free trades available to every investor

- 80% of Robinhood users are "millennials" and the average customer age was 26.

- The company has a few competitive edges: 1. zero commision fees. 2. Instant deposits 3. other new features such as fractional shares and automatic dividend reinvestment also make Robinhood stands out from its competitors

- Robinhood uses AWS to operate its online business, deliver and update its mobile trading app, store customer info and trading data. They also use Bootstrap for web development; HTML5 for content structuring; adjust for advertising sources and data analytics

Landscape:

- The robo advisor industry began in the wake of the Great Recession with Betterment and Wealthfront leading the way. As the industry expanding, robo advisor has been adopted from hybrid models with digital and financial advisors to app-based investing. There are even more services added into the industry today: niche robos and nonfinancial companies offering their own digital investment advisors

- Other major competitors in this domain includes but not limited to: Betterment, SoFi, Personal Capital, M1 Finance, STASH, and blooom.

Results

- Robinhood users kept on growing rapidly; by 2018 the platform had surpassed E-Trade, reaching 4 million brokerage accounts. The app now has more than 6 million users; and it has forced other big players, such as E-Trade, TD Ameritrade and Charles Schwab to strat offering commision-free trading as well

- The core metric that companies in robo advisor domain use to measure success is AUM, or asset under management; the greater the amount of AUM, the more income for the company

- Robinhood has an estimated AUM of $20 billion. While its AUM has surpassed Personal Capital's $8.5 billion and Betterment's 16 billion; Vanguard Personal and Schwab Intelligent Portfolios are dominating the domain with $115 billion and $37 billion, respectively

Robo-Advisor	Assets Under Management	Number of Accounts
5. Personal Capital	$8.5 billion AUM	19,000 paid users (over 2 million using the free tools)
4. Wealthfront	$11 billion AUM	250,000
3. Betterment	$16 billion AUM	400,000
2. Schwab Intelligent Portfolios	$37 billion AUM	300,000
1. Vanguard Personal	$115 billion AUM	Not available

Recommendations

- Robinhood could expand their securities offering to the international market. Stocks that are traded on Asian exchanges or European exchanges

- The big players in this domain such as Vanguard and Schwab were already well-established in the market. The variety of financial products they are offering is one of the key elements for investor to fully diversify their portfolios.

- Robinhood could use ASP.NET to design dynamic web pages that showcase other international markets' information

- If Robinhood could offer real-time international markets information to its users on the website, users don't need to open up multiple apps at the same time, which will increase time spendt on Robinhood platform

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Resources

- https://robinhood.com/us/en/ (Robinhood home page)

- https://en.wikipedia.org/wiki/Robinhood_(company) (Robinhood general information)

- https://aws.amazon.com/solutions/case-studies/robinhood/ (Robinhood uses AWS)

- https://stack.g2.com/company/robinhood (other technologies used by Robinhood)

- https://money.usnews.com/investing/investing-101/articles/how-robo-advisors-will-change (robo advisor domain trend)

- https://www.consumersadvocate.org/robo-advisors/a/best-robo-advisors?pd=true&keyword=robo%20advisor&gca_campaignid=1677193901&gca_adgroupid=73663339588&gca_matchtype=e&gca_network=g&gca_device=c&gca_adposition=&gca_loc_interest_ms=&gca_loc_physical_ms=9021736&gclid=CjwKCAjw1v_0BRAkEiwALFkj5pAkE_-I35FlxMgVntglveDfEGaktROWSx7Bu-ZKQoxvv47BqNSSZBoCVW4QAvD_BwE (robo advisor domain competitors)

- https://money.usnews.com/investing/investing-101/articles/how-robinhood-changed-an-industry (Robinhood's impact on the industry)

- https://www.roboadvisorpros.com/robo-advisors-with-most-aum-assets-under-management/ (robo adviser industry AUM analysis)

- https://www.brokerage-review.com/investing-firm/assets-under-management/robinhood-aum.aspx (Robinhood AUM analysis)