

Cerebro The AI-Driven Budget Driven Robo-Advisor

Executive Summary

This business case proposes the launch of a revolutionary AI-driven robo-advisor designed to bridge the gap between personal budget management and investment advising. Cerebro will address the market's need for more personalized, goal-oriented investment journeys. This platform will integrate individual budgeting insights with investment actions, empowering users to meet their financial goals through smarter, more adaptive financial strategies.

Company A is positioned well to disrupt the fintech landscape with an innovative personalized budget driven AI-driven robo-advisor, uniquely integrating personalized budgeting and investment strategies.

This platform will distinguish itself by adapting to individual seasonal spending patterns while leveraging advanced AI to offer tailored financial advice and investment options. Aimed at enhancing user experience, the design prioritizes intuitive navigation and includes educational resources to empower users ranging from financial novices to seasoned enthusiasts. Strategic marketing efforts will target tech-savvy financial newcomers, while partnerships with established financial and educational institutions will broaden reach and enhance credibility.

To ensure trust and reliability, the platform will adhere to stringent security measures, transparency for key calculations that drive decisions and comply with relevant financial regulations.

A scalable infrastructure ensures that Company A can rapidly adapt to user feedback and evolving market needs, supporting sustained growth and establishing the company as a leader in personalized financial management solutions.

¹Market Analysis

¹ Due to time constraints and this being an exercise all reviewed sources are linked in the miro board and have not been not cited directly in this document.

Competitive Landscape

The current market consists of the following players.

Magic Quadrant



Detailed Market Overview

| Quadrant | Company | Description |
|----------|----------|---|
| Leaders | Fidelity | Wide range of services Strong in retirement planning space Has competitive fees |

| | | |
|----------------------|----------------|--|
| | Vanguard | Low-cost investment products Long-term investment focus Has strong digital advisory services |
| Challengers | Charles Schwab | Comprehensive online platform Mix of robo and traditional advisory Very strong brokerage services |
| Visionaries | Company A | Innovative and adaptable model Focus is on trust and risk-taking Aims to improve execution |
| | Empower | High-net-worth focus Comprehensive retirement planning solutions Innovative digital tools |
| Niche Players | Intuit (Mint) | Specializes in personal finance Strong in budgeting and expense tracking space User-friendly and, free service |

Total Addressable Market (TAM): \$2.754 billion

\$10 Billion (Wealth Management Platforms) with 27.54% comprised of Robo Advisors
 $TAM (Robo-Advisors) = TAM \times Percentage$
 $TAM \text{ for Robo-Advisors} = \$10 \text{ billion} \times 27.54\% = \sim \2.754 billion.

Serviceable Available Market (SAM): \$1.652 billion

We'll assume that Company A targets the U.S. market which makes up around 60% of the robo-advisor TAM due to its technological adoption and wealth management trends.

$SAM = TAM \text{ for Robo-Advisors} \times 60\%$
 $SAM = \$2.754 \text{ billion} \times 0.60 = \1.652

Serviceable Obtainable Market (SOM): \$165.2 million

We'll assume Company A can realistically aim to capture 10% of its SAM, given its competitive strategy, innovation capabilities, and market presence.

SOM=SAM×10%
SOM=\$1.652 billion×0.10=\$165.2 million

Identified Market Gaps

- Lack of integration between budgeting tools and investment platforms
- Demand for more personalized, goal-oriented financial management solutions from consumers

Updated Product Overview

Core Features

| Feature | Description |
|---|---|
| Integrated Budgeting and Investment Interface | A tool that uses AI to align budget management with investment decisions, optimizing financial outcomes based on real-time data and individual spending habits. |
| Dynamic Goal Setting and Monitoring | Provides mechanisms for users to set various financial goals with AI-powered suggestions on how to allocate resources to achieve these goals efficiently. |
| Personalized Financial Pathways | Utilizes advanced analytics to create custom investment paths that adapt to changes in the user's financial situation and market conditions. |
| Educational Resources | Provides users with actionable insights into both saving and investing, enhancing their financial literacy and decision-making confidence |

Competitive Analysis

Additional Details

| Company | Services & Tools | Fees | Pros | Cons | Unique Features |
|----------------------------|---|--|---|--|---|
| Charles Schwab | Brokerage Robo-advisor Wealth Management Retirement Plan | No fee for basic robo Premium fees apply | Blend of robo & human services, customizable portfolios | High minimum for robo Large cash allocations | Investment analytics, planning tools |
| Vanguard | Brokerage Robo-advisor Retirement Planning | ~0.15% advisory fee | Low-cost ETFs, low fees, streamlined advisory | Limited customization, no tax-loss harvesting, no human advisor | Retirement planning, investment analytics |
| Fidelity | Brokerage Robo-advisor Wealth Management Retirement Plan | No fees < \$25k 0.35% > \$25k | No minimum to start, human oversight, integrated services | No tax-loss harvesting, limited options, no social investments | Integration with personal finance tools |
| Empower (Personal Capital) | Wealth Management Retirement Planning Financial Advisory | 0.89% < \$1M; tiered fees for larger balances | Comprehensive tools, human advisors, tax optimization | High minimum (\$100,000), higher fees, limited brokerage options | Holistic finance view, net worth tracking |
| Intuit (Mint) | Personal Finance Management | Free | Excellent for budget management, free | No investment management, focused on personal finance | User-friendly, expense categorization |
| Company A | Visionary Corporate Culture | TBD- New Entrant | Innovative vision, adaptability | Challenges in execution currently being addressed | Focus on trust, risk readiness |

Gaps and Limitations

| Company | Integration Issues with Budgeting & Investment | Personalization Limitations |
|----------------------------|---|--|
| Charles Schwab | Focuses more on investments Lacks detailed budgeting tools | General wealth management Not tailored to individual non-investment needs |
| Vanguard | Lacks significant tools for daily budgeting Focuses on investments | Limited portfolio customization No human advisor option |
| Fidelity | Budgeting tools not as comprehensive as investment tools | Limited tax strategies Lacks socially responsible investing options |
| Empower (Personal Capital) | Geared towards high-net-worth individuals Complex for basic use | High minimum investment Less accessible for less affluent users |
| Intuit (Mint) | No investment management Purely budgeting and expense tracking | Does not offer personalized investment manager |

Financial Projections

Pricing Strategy:

SAAS subscription model with premium features, targeting an ARPU of \$100 annually.

Projected ARR

Targeting a \$1.652 million ARR by capturing 1% of the SOM in the first year post-launch.

Development Plan and Timeline

Development Timeline

Strict 3-month period leveraging agile methodologies to meet the MVP deadline.

Team Allocation

Engaging a dedicated team of 20 from the existing tech workforce, focused on rapid development and iterative feedback.

Risk Management

Technological Risks

| Category | Description of Risk | Mitigation Strategies |
|--------------------------------------|--|---|
| AI Model Accuracy and Bias | AI models may exhibit biases or inaccuracies, leading to poor financial advice. | Use diverse training datasets, rigorous model testing, continuous monitoring, and updates to handle biases. |
| Data Security and Privacy | Handling sensitive data makes the platform a target for cyberattacks, risking data breaches. | Implement state-of-the-art encryption, secure storage solutions, and comply with data protection regulations like GDPR. |
| System Scalability and Performance | Increased user load may cause performance issues or outages. | Design scalable architecture using best practices for scalable cloud services and load balancing while regularly updating infrastructure. |
| Integration with External Systems | Dependency on external data which might be inaccurate or disrupted. | Establish robust error handling, multiple data sources, and strong API management practices. |
| Compliance with Evolving Regulations | Financial services are subject to stringent regulations, which can change. | Stay updated on regulatory changes, employ compliance personnel, and ensure system flexibility to adapt quickly. |
| Technology Dependence and Continuity | Reliance on specific technologies or vendors poses operational risks if they fail. | Use a diversified technology stack, multiple vendors for critical components, and plan for redundancy and disaster recovery. |

Market Risks

| Risk Category | Description of Risk | Mitigation Strategies |
|-----------------------|--|---|
| User Adoption | Potential reluctance from target users to switch to a new, AI-driven financial tool. Customers may not trust sharing their budget details to the degree required to successfully invest. | Ensure the offering is focused on a single outcome and has a strong value proposition while executing targeted marketing strategies. |
| Competitive Pressure | Established firms may quickly adapt or innovate in response to Company A's entry. | Continuously innovate, maintain a highly focused and unique selling proposition, and monitor competitive actions closely. |
| Economic Fluctuations | Economic downturns could reduce investment activity and affect user financial status. | Diversify product offerings to include features useful in various economic conditions, and double down on the value proposition for targeted investing tied to budgeting tools. |
| Technological Shifts | Rapid changes in technology could make the initial platform quickly outdated. | Invest in continuous technological updates and ensure flexibility. |

Compliance Risks

| Risk Category | Description of Risk | Mitigation Strategies |
|---------------|---------------------|-----------------------|
|---------------|---------------------|-----------------------|

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| Data Privacy | Failure to protect user data could lead to breaches and non-compliance with data protection laws (e.g., GDPR). | Implement and maintain robust data encryption, regular security audits, and compliance with international data protection regulations. |
| Transaction Reporting | Inadequate reporting of financial transactions could breach financial regulations. | Develop automated systems to ensure accurate and timely reporting, and regular reviews of compliance status. |
| Consumer Protection | Non-compliance with consumer protection laws could result in fines and reputational damage. | Stay updated with consumer protection regulations and incorporate required disclosures and user rights protections into the platform. |

Regulatory Risks

| Category | Description of Risk | Mitigation Strategies |
|---------------------------|--|--|
| Licensing Requirements | Operating without appropriate financial licenses could result in legal penalties. | Obtain necessary licenses before launching and ensure ongoing compliance with financial regulatory bodies. |
| International Regulations | Expanding to new geographic markets without adhering to local financial regulations could lead to fines and operational hurdles. | Conduct thorough legal reviews and adapt the platform to meet specific regulatory requirements in each market. |
| Changes in Regulations | Financial regulations are subject to change, potentially impacting operations. | Establish a dedicated regulatory compliance team to monitor changes and adapt business practices accordingly. |

Strategic Importance

Innovation Impact

By integrating budgeting with investing, the robo-advisor not only fills a significant market gap but also sets a new standard and new market for personalized financial technology.

Business Growth

Opens new market segments and provides a competitive edge in the fintech industry.

Conclusion and Recommendations

The recommendation is to move forward with the development of the budget-driven AI-driven robo-advisor to take advantage of the identified market opportunities.

The suggestion is to allocate the necessary funds for both development and marketing to guarantee a successful launch and ongoing growth.

Appendices

Brainstorming

- [miro board](#)

Competitor Reviews

- Complaints for [Schwab](#) budget capabilities
- Auto invest [comparisons](#)

Assumptions

- Already have detailed user feedback and interest assessments supporting data
- The development team has experience with developing and training AI models
- Company A only has 100 employees and this will be a highest priority effort.

| Assumption | Context of Assumption | Mitigation Strategies |
|-------------|---|---|
| Market Size | TAM for wealth management platforms is \$10 billion and 27.54% are robo advisor | Used to estimate the overall potential market for the AI-driven robo-advisor. |

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| Market Penetration | Targeting a 1% market penetration in the first year. | Basis for financial projections and ARR estimation. |
| Development Timeline | MVP development and launch within 3 months. | Assumed to maintain competitive edge and rapid market entry. |
| Team Allocation | 20 tech staff (40% of the tech team) dedicated to the MVP project. | Assumed sufficient to meet the development timeline for the MVP. |
| Technology Resources | Adequate technical resources to develop the product and scale in the future. | Assumption that current technological capabilities are sufficient. |
| Regulatory Compliance | Compliance with relevant financial regulations such as GDPR, SEC guidelines. | Necessary for legal operation and to build trust with users. |
| User Adoption Rates | Assumed adoption by tech-savvy financial newcomers. | Targeting users likely to be early adopters of new financial technologies. |
| AI Performance | AI algorithms will effectively analyze spending patterns and adapt investment advice. | Critical for the core functionality of the robo-advisor. |
| Security Measures | Advanced security protocols sufficient to safeguard user data and financial transactions. | Essential for user trust and regulatory compliance. |
| Economic Conditions | Assumed stable economic conditions that will not unduly affect new tech adoption or investment behaviors. | Important for maintaining expected user growth and market penetration rates. |
| Competitive Response | Assumption that major competitors will not quickly replicate the innovation. | Helps in estimating the unique market advantage and window of opportunity. |

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|------------------|--|---|
| Pricing Strategy | Subscription model with premium features aimed at an ARPU of \$100 annually. | Assumption based on market willingness to pay and competitive pricing strategies. |
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