

# MASLOWIAN PORTFOLIO THEORY

## TRUE CUSTOMER CENTRIC INVESTMENT ADVICE

Dr. Philippe J.S. De Brouwer

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# THE TRADITIONAL APPROACH

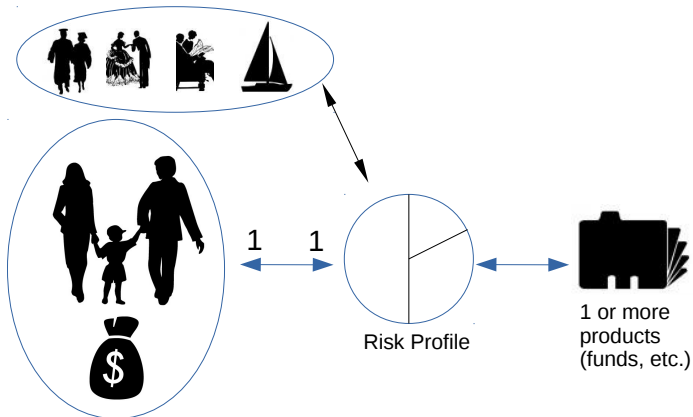


FIGURE 1 : In the tradition approach to investment advice each investor has one “risk profile”.



# THE MASLOWIAN APPROACH

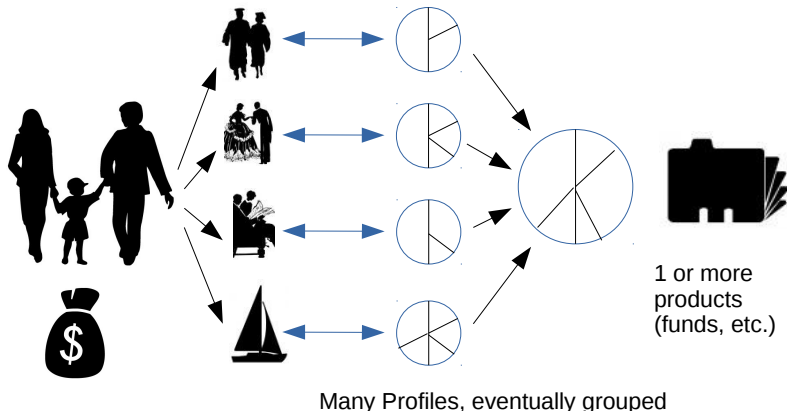


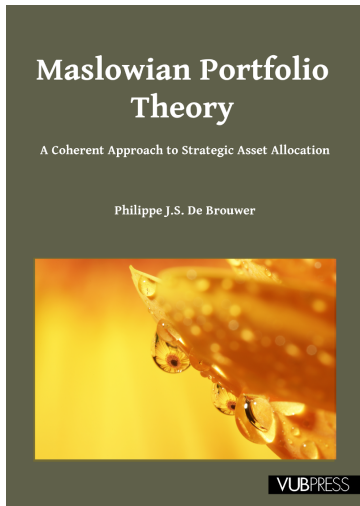
FIGURE 2 : In the “Maslowian Approach” to investment advice each investor has one risk profile per investment goal.



## AUTOMATED CUSTOMER CENTRIC ADVICE

Almost two decades of research prototyping and practice:

- by Prof. Dr. Freddy Van den Spiegel and Dr. Philippe De Brouwer
- First prototype in 1998
- Ongoing research, including 3 refereed publications
- “Maslowian Portfolio Theory” created
- PhD and book on the fundamentals in 2012
- ... now: automated software





## ABOUT PHILIPPE'S PROTOTYPE

- Can be used from any browser that understands basic HTML5
- Developed as CGI binary on the open stack, Linux (Debian), Apache and MySQL
- Key modules are in C++, presentation in HTML5, CSS3 and JavaScript.
  - ① C++: ca. 8'000 lines (not counting the headers for CGICC, MySQL, etc.)
  - ② JavaScript: ca. 1'200 lines
  - ③ Presentation in HTML5 and CSS3: ca. 1'500 lines
  - ④ TOTAL: ca. 10'000 lines of code
- The C++ classes and code have already good documentation:
  - ① a website of more than 150 pages, and
  - ② a 215 page book with technical documentation



## THE ADVANTAGES

- 1 the investor **thinks about his/her life** and what really matters,
- 2 the investor gets a **clear picture** of what means are for what goals (so when markets crash for example then it is clear which goals suffer and which not),
- 3 the investor gets **feedback about what really matters**: which life-goals are achievable and which are not (or how should I modify them in order to achieve these goals?),
- 4 **follow up can be done in a meaningful way**: it becomes possible to keep the investor informed about how the building up of portfolios is coming along relative to the goals,
- 5 by quantifying a goal and working towards it, probability to achieve it increases: it is the **safest approach without avoiding risk at all cost!**



## THE ADVANTAGES FOR THE ADVISERS

- ① **more customer satisfaction and retention** by helping the customer achieving his/her personal life goals;
- ② more possibilities for **cross selling**: more complete picture of needs and holdings (also in other institutions)
- ③ **possibility to charge a fee** for this value added financial plan (especially relevant when other fees are under pressure e.g. due to MiFiD II in Europe);
- ④ **image building and customer acquisition**: this places the customer central and limits product pushing
- ⑤ **new clients** (by worth of mouth, improved service and image)
- ⑥ more **coherent financial advice** across branches and advisers
- ⑦ potentially **cheaper** by automation
- ⑧ gathering (big) **data**



# THE POTENTIAL BUSINESS PROPOSITION

- *Business Lines*
  - **B2B** (targets: banks, financial advisers, financial planners, etc)
  - eventually **B2C** (might be separate initiative, not discussed further)
- *Product Lines and prices for B2B*
  - **Expertise only** (= client reprograms the logic in his systems): e.g. license fee of 200K + advice fee per year + avg. 1000 EUR per man-day (change management, etc.)
  - **Software license**: e.g. 300K (first year) + 100K
  - **SaaS**: e.g. 5'000 set-up fee + 15'000 fee to customize look and feel + 5 EUR per customer per year in the system
  - **SaaS mini**: 150 EUR set-up fee + 10 EUR per customer per year in the system (no customized interface)



# CONCLUSIONS

- **An very strong business case to upgrade financial advice**
- Many advantages for both investor and advisor: win-win situation
- The existence of a real need for both investors and advisers



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