

# JUNE

Democratizing Investments  
The case 2017  
International Business  
Case Competition







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# Opening

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The global banking sector is undergoing fundamental transformation. Changing customer expectations, new competitors, digitalization, continued regulations and uncertain macro-economic conditions are forcing banks to dramatically rethink their businesses. This also applies to Danske Bank, a Nordic universal bank that is headquartered in Copenhagen, Denmark. One of the direct responses to the changing market conditions has been a bold move to set up MobileLife, a corporate incubator, with a mission to push the boundaries of banking and bring the next generation of digital financial services to life. MobileLife's newest innovation, JUNE, is a moonshot at democratizing the savings and investments market. It provides digital investment advice through an intuitive interface and offers simple and fairly priced investment products. By doing so, it addresses the

key barriers most people face when they wish to invest their savings.

Simon Haldrup, Head of MobileLife, is prepared for the imminent launch of JUNE in Denmark; however, the ambition is to bring JUNE to another Nordic country in fall 2017, in order to take advantage of the momentum. On his way to a meeting to discuss the strategy of the expansion, Simon has a number of questions going through his mind: Where should JUNE go next? Which users will be the early adopters? How can JUNE build momentum and utilize network effects? How can the agility of a start-up optimally be combined with the muscles of a large bank?

## Your Brief

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You are to present an expansion strategy for Simon and his team. Your strategic proposal should include:

- An assessment of whether to enter Norway, Sweden or Finland as the next market
- A go-to-market strategy for the chosen country, including target segment, key initiatives and marketing channels

Developing a strong user base is the primary goal. The time-frame should cover the period from the expansion in the fall of 2017 to the end of 2018. The strategy should leave JUNE in a strong position for further growth and expansion in the Nordics. You should not focus on product or technological features, but on the market launch. Also, your proposal should not reevaluate the strategy in Denmark. About 20% of your presentation should be devoted to the country selection and 80% to the go-to-market strategy.

### **Be insight-driven**

Use data insights to qualify your proposal. Make sure to convey an understanding of the customers and the competitive landscape.

### **Focus on specific initiatives**

Concrete ideas on how to specifically reach the customers are ultimately what will make or break the strategy. Remember to be realistic!

### **Tell a story**

Innovation requires a vision. Convince the audience with an engaging and coherent storyline.

### **Show the impact**

Assess the impact of your plan in terms of number of users and assets under management (AuM). Note that AuM is valued as a secondary measure.

### **Be creative**

No options are ruled out, and your solution has to go beyond the obvious.

*Note: Throughout this case paper, Denmark, Sweden, Norway and Finland will collectively be referred to as the Nordics.*



# Banking 101: The key terminology

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**Assets under Management, AuM:**

AuM is an indicator of the size of one or multiple funds. It is defined as the sum of the market value of all assets being managed. It can be interpreted as the number of investors multiplied by the amount invested by each investor.

**Basis Point, BPS:**

A basis point is 1/100th of 1% or 0.01%. Using BPS rather than % can sometimes simplify notation. An example is expressing 0.05% as simply 5 BPS.

**Management Fee:**

A fee charged for investing in an investment fund, calculated as an annual fraction of the invested amount. The management fee is often quoted in BPS. If a person invests DKK 100 in a fund with a management fee of 100 BPS, she would have to pay DKK 1 a year.

**Exchange Traded Fund, ETF:**

An investment fund that can be acquired and sold on an exchange similarly to stocks. ETFs track the development of a specific index, rather than picking individual securities. This allows ETFs to have very low management fees.

**Fund-of-funds:**

A fund that invests in a basket of other funds, sometimes a series of ETFs. Funds-of-funds often have a certain risk level that is maintained over time, by adjusting the balance of the underlying assets. This greatly simplifies the investment process for investors.

## Global trends in banking

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In September 2008, video clips of investment bankers in suits leaving the Lehman Brothers building carrying cardboard boxes with their belongings reached televisions across the world. The collapse of Lehman Brothers and other banks, combined with the following financial and economic crisis, left a lasting impairment of client trust in the banking industry. Adding to the already existent pressure from the need for digitalization, the crisis created another layer of urgency in the world of banking.

Banks are expected to change more in the next 10 years than they have in the past 50. Major banking services such as payments, lending and wealth management constitute 80-90% of banking revenues globally and are all subject to disruption. Several drivers of change are important. Low interest rates hurt sales, while an increasing degree of regulation increases legal and compliance costs.

Perhaps even more important are technology and innovation. Several services that were once carried out by actual human beings can, to an increasing degree, be substituted by automated, digital systems. This means that banks are not necessarily the most competitive at delivering banking services anymore. Apple and Google are examples of tech giants entering a space traditionally dominated by banks. Adding to this, customers are increasingly demanding digital solutions to be more intuitive and efficient.

This is the environment in which Danske Bank is operating. An environment of unprecedented change and challenges – but perhaps an environment of opportunity as well.



# Danske Bank

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Danske Bank is the largest bank in Denmark and among the largest in the Nordics. It serves a variety of customers including individuals, corporations and institutional clients, with most activities placed in the Nordic countries. The bank currently employs about 19,400 people across its divisions. The company has been growing both organically and through acquisitions, including several in Sweden, Norway and Finland. For the past 5-6 years, the subsidiaries in Sweden, Norway and Finland have been branded as "Danske Bank," rather than as their local historic names.

Danske Bank operates through 4 main business units: Personal Banking, Business Banking, Corporates & Institutions, and Wealth Management. Personal Banking offers traditional banking services to individuals, such as mortgage and checking and deposit accounts. The Business Banking unit offers a broad range of financial products and services targeting businesses, while Corporates & Institutions serves large businesses and institutional clients with financial advice, debt financing and other products.

The Wealth Management unit includes a range of smaller departments, namely Danske Private Equity, Danica Pension, Danske Capital, Danske Invest and Private Banking.

## The strategic direction

Danske Bank is on a strategic journey to enhance customer satisfaction, expand in the Nordics and embrace digital opportunities. In the company's own words, the goal is: "To be a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions."

A successful step in this direction is the launch and success of the highly popular digital payment service, MobilePay. There are several reasons for its success, including a rapid deployment leading to a first-mover advantage, an intuitive interface and the unconventional choice of making the solution free of charge even to retail customers of competitor banks. To bring similar innovative products to the market, Danske Bank decided to think differently. With inspiration from Google's Project X lab, the digital innovation unit, MobileLife, was created in 2014.



# MobileLife

For the new innovation unit, MobileLife, to be a success, it would need to embrace a completely new culture to challenge the conventional thinking of bank operations. MobileLife was therefore created as an entirely separate unit, reporting directly to top management. This allowed MobileLife to grow a new entrepreneurial culture and provided the flexibility to act fast. MobileLife has two primary functions: to protect Danske Bank from being outcompeted on current offerings, and to pursue new digital opportunities. With its loose hierarchy, the organization is in many ways more similar to a start-up than to a bank. Projects are undertaken in agile, cross-functional teams of people with backgrounds in start-ups, banking, software development and consulting.

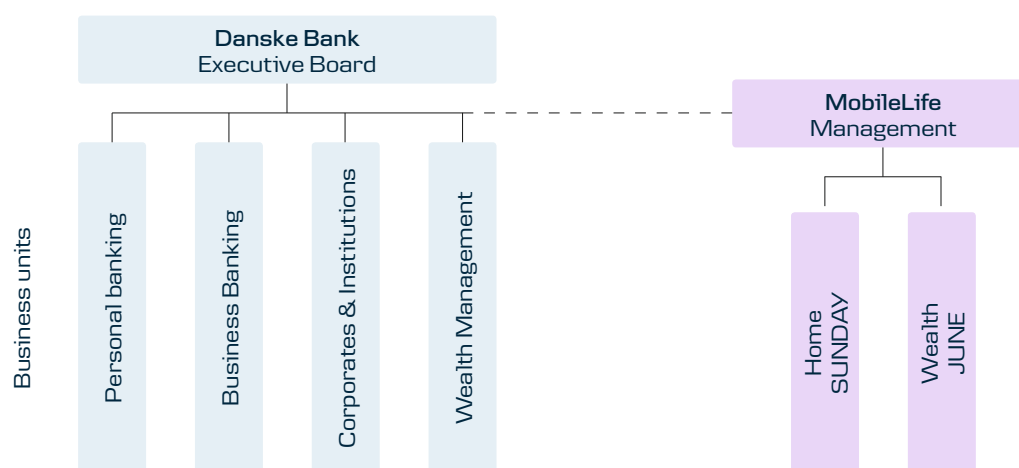
A key principle in MobileLife is trying not to think like a bank, but rather to think as a customer. To develop higher customer centricity, focus is put on customers' major life events. These are the critical points at which customers interact the most with their bank. Major life events include getting married, buying a house and retiring. MobileLife thus thinks in terms of customer pain-points and what makes a customer's life easier, while building innovative business models that reflect customer needs. Another key working principle is to start with minimum viable products using trial and error along the

way. Long-term planning and NPV analyses do not fly well in this entrepreneurial environment. Instead, decision making is based on understanding the market dynamics and catching the right trends by being agile, rather than trying to make elaborate plans several years ahead.

The first innovation outcome was SUNDAY - an online home buying service targeted at customers of all banks. SUNDAY helps users identify potential homes that fit their economic conditions and easily provides a mortgage pre-approval. With SUNDAY, MobileLife targeted a major life event and used a digital solution to better meet customer needs.

MobileLife's next project is JUNE - a new wealth management product that seeks to democratize the savings and investments market as well as drastically increase accessibility.

Organizational diagram for Danske Bank and MobileLife



## *JUNE – a moonshot to change savings and investments*

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JUNE is a digital investment service with the bold purpose of democratizing the savings and investments market. The process of making and managing investments is simplified to a choice of the amount of money to invest and the accepted level of risk. It belongs to the category of robo-advisors, pioneered by solutions such as Wealthfront and Betterment in the United States. JUNE is developed by MobileLife in collaboration with Danske Bank Wealth Management. The name is inspired by the summer month, when plants are growing and flowers are blooming.

By assessing the investment profile of the user, JUNE invests and manages the user's investments automatically, using the expertise of Danske Bank Wealth Management. JUNE is built on the principles of simplicity, accessibility, transparency and fair prices. The minimum invested amount is DKK 100 (or a similar level in other Nordic countries). Money can be transferred back to the user's bank account at no cost within 5 days. JUNE is available to customers of all banks. Pricing is based on an annual management fee at a certain percentage of the invested amount. The fee is variable, but will not exceed 100 BPS, which gives JUNE a very competitive price level compared to other similar products. All advice is given automatically through the service.

Access to JUNE is made through a web browser on a phone, computer or tablet. It is accessible across platforms and the design visually imitates an app. An actual app may be developed at a later stage. At first, the user will register and set up payment transfer through a credit card. The actual investment process starts with determining an amount to invest. This can be a one-off investment or a recurring monthly amount. The user's investment profile will then be determined through a questionnaire assessing psychology, economic situation and timeframe. JUNE then generates advice for the user about investing in one of 6 funds with different levels of risk and return. The user will thereafter choose which fund to invest in and transfer money through their credit card. The user can monitor the investment through the graphical interface. The actual asset allocation and rebalancing is carried out for each of the 6 funds (funds-of-funds) by Danske Bank Wealth Management.

For its launch in Denmark, JUNE has employed several digital channels, including social media and a blog on its homepage, explaining the benefits of investment. Several of the blog posts feature interviews with real people, explaining their thoughts on investing and how JUNE has made it more accessible to them. Other posts have explained the financial benefits of investing compared to regular savings accounts.



# JUNE Customer journey: How to invest with JUNE



## *Sign in*

- Open in browser, save shortcut to home screen
- Create profile, verify with national ID and set up payment information



## *Determine amount to invest*

- Either a single amount or recurring monthly investment
- Minimum amount of DKK 100



## *Set investment profile*

- Based on questionnaire assessing psychology, economic situation and timeframe



## *Receive advice*

- JUNE will advise you to invest in one of 6 funds. These are funds-of-funds with different mixes of stocks and bonds
- Each fund has a certain level of risk and return
- You have the final decision on which fund to invest in



## *Make investment*

- Transfer money from bank account



## *Monitor investment*

- Monitor the development of your investment
- The funds are rebalanced to the promised risk and return level “under the hood”, given market conditions



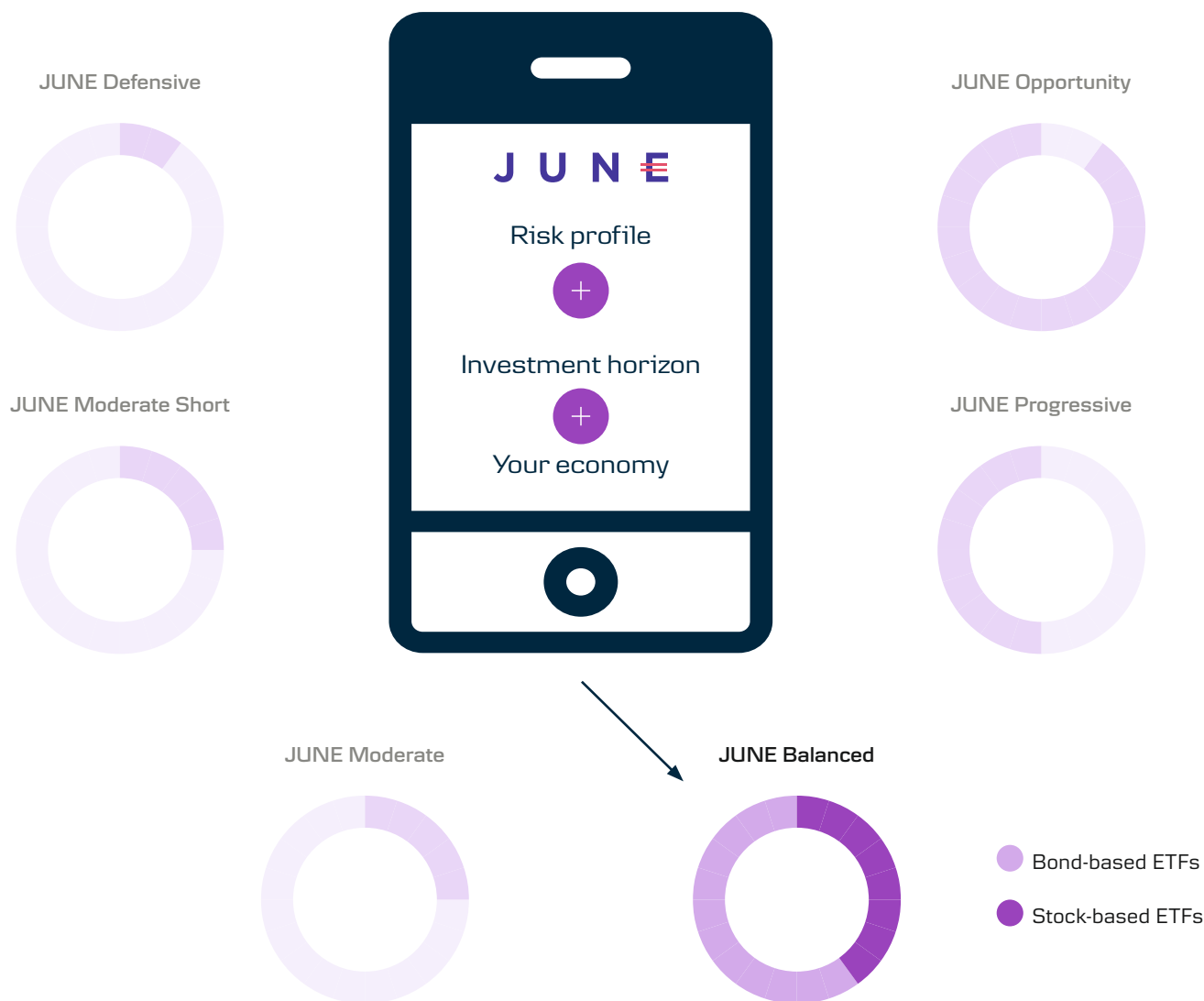
## *Withdraw money*

- When money is needed, it can be withdrawn at any time, and will be transferred to your bank account within 5 days
- Taxable investment income is automatically reported



# JUNE – a moonshot to change savings and investments

Determining investment advice & the 6 offered funds



# Wealth management for private investors

## What is wealth management?

JUNE operates in the space of wealth management, which includes a broad section of services related to savings and investments. A key characteristic of the wealth management services targeted towards individuals (sometimes called private wealth management) is that the level of services generally correlates with the amount of wealth the individual holds. Private wealth services include financial and investment advice, accounting and tax services, retirement planning and legal or estate planning. Customers are usually grouped into 5 wealth groups: upper-high net worth (UHNW), high net worth (HNW), affluent, mass affluent and mass market. While many wealth management services have traditionally been reserved for the highest wealth groups, rapidly advancing technology has now paved the way for highly intelligent automated services to allow parts of wealth management to be extended to the lower segments as well.

## Digital wealth management

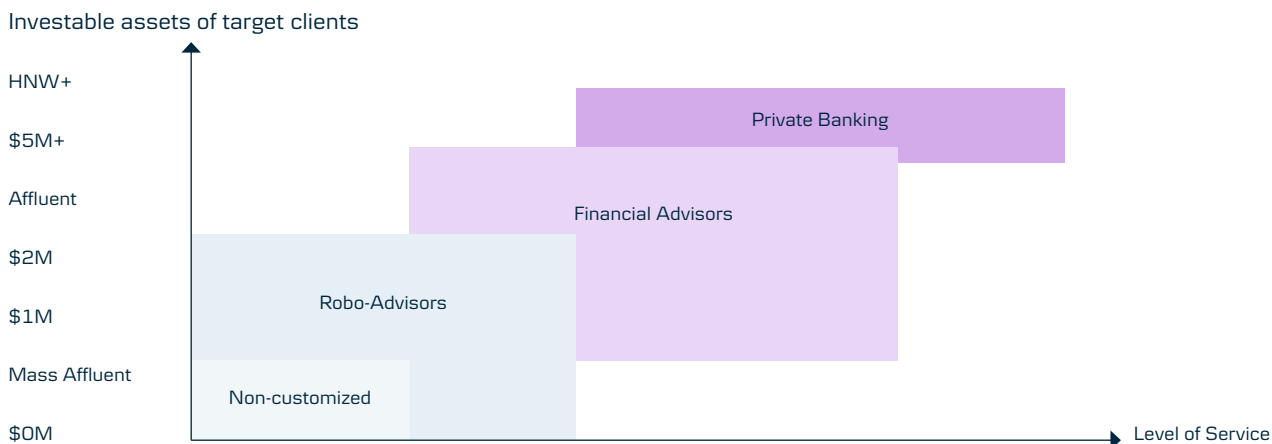
Digital wealth management (DWM) has emerged as a new breed of wealth management that automates many products and services and provides seamless digital interactions with

clients. These include financial planning, automated portfolio rebalancing, portfolio management tools, client servicing capabilities, etc. Traditional wealth managers have used DWM to improve their existing offers. DWM products usually follow passive investment strategies, which is part of why they can be offered at a lower price point.

JUNE belongs to the specific group of DMW called robo-advisors, which offer automated portfolio construction tailored to investment horizon and risk profile. Robo-advisors combine fund-based investment with automated investment advice and have emerged as a B2C model that can offer wealth management to the lower wealth segments due to its lower cost-to-serve. They are not a new phenomenon globally, but are just starting to appear in the Nordics.

Robo-advisors have typically targeted the mass affluent segment, for which customized or personal service is usually either not available or only with a large fee. Robo-advisors can therefore be seen both as an opportunity for cost-cutting, due to the degree of automation, and as an offering with a higher level of service.

## Investor needs become broader and more complex as wealth increases



Source: BCG Fintech Tower Report; Case Writer Analysis

Note: The graph is illustrative and represents the convention of the specific wealth management products and services.

Sources: BCG Report: Navigating the New Client Landscape













# Wealth management for private investors

## The range of traditional wealth management services in the Nordics

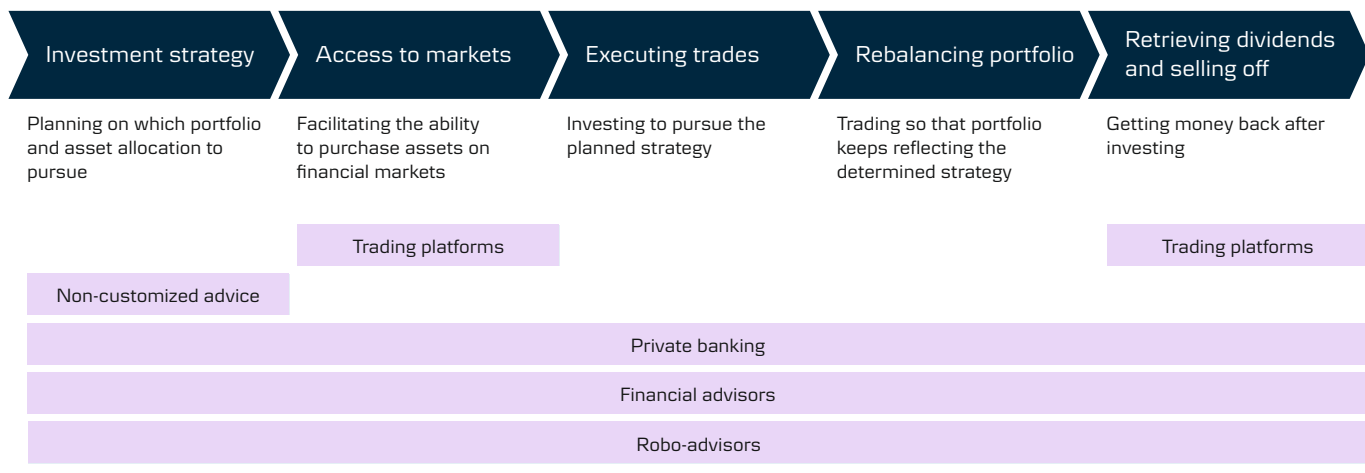
When it comes to grouping and naming the specific wealth management products and services, there is a lot of ambiguity

in the banking industry. The following table aims to outline the overall range of traditional wealth management services available in the Nordics.

### Traditional wealth management

Client segment	Product	Product	Examples
UHNW	Global private banking	Global banks providing specialized and exclusive wealth management services to individuals with substantial amounts of wealth. Clients often have financial activities in several countries.	 
HNW	Classic private banking	Domestic banks providing specialized and exclusive wealth management services to individuals with substantial amounts of wealth.	 
Affluent & mass affluent	Financial advisors	Domestic banks providing financial advice towards investment strategy and offering management of clients' money to achieve stipulated goals. Spend considerable time with clients, thus requiring a high fee.	  
Mass market	Non-customized advice	Clients will usually complete a questionnaire to establish an investor profile, which the bank has connected to a certain type of advice. Clients are mostly expected to take a self-service approach and manage their own wealth through home banking, trading platforms, etc.	   
Service for all segments	Trading platforms/brokers	Execute buy and sell orders submitted by investors in exchange for a fee or commission. Limited financial advice, if any.	 

### Overview of client needs and corresponding products and services





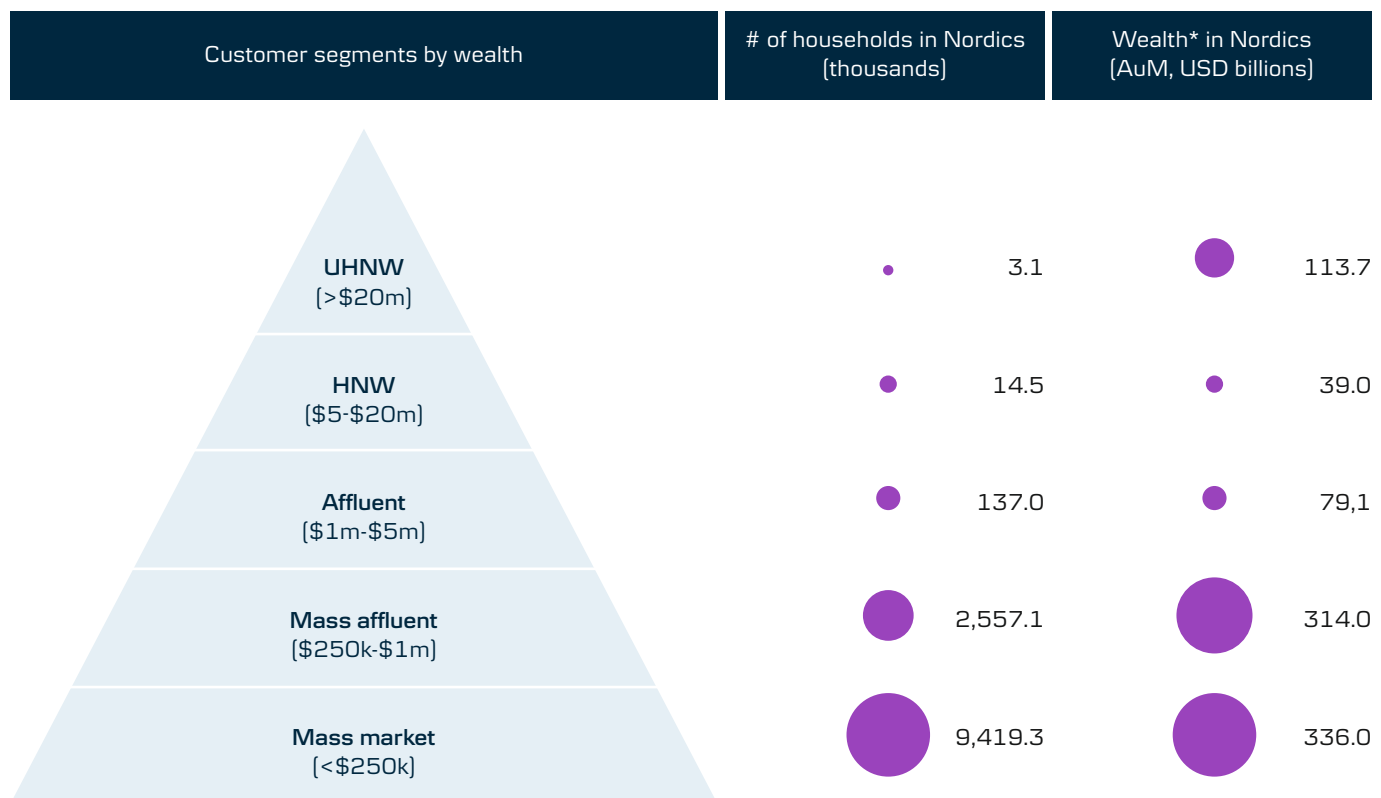
## Client landscape

A service like JUNE faces a series of both tangible and intangible barriers in winning over clients. The tangible barriers have specifically been addressed by JUNE's core value proposition with concrete solutions, such as low levels of required invested amounts and a transparent pricing scheme. The intangible barriers, on the other hand, include common misconceptions and cultural barriers. For example, it is a commonly held belief that investing is complex and reserved mainly for wealthy individuals. Misconceptions like these keep people from investing and present a real barrier to activating the mass segments. The intangible barriers differ from country to country, and it is therefore likely that a strategy needs to be tailored to the individual country to overcome them.

### Wealth segments

The client base is traditionally divided into categories on the basis of private wealth holdings. There will always be fundamental differences in the needs of a bank's clients that depend on the level of wealth. For example, a BCG report finds that more than three-fourths of wealth managers serving UHNW have specialized teams solely dedicated to managing their complex needs that often stretch across several countries. On the other hand, price level is a top-three decision criterion when choosing a wealth manager for 71% of affluent clients. Here, the lower fees are generally achieved by offering standardized products and services to the more straightforward needs of the investors.

2014



Source: Boston Consultant Group (BCG), Global Wealth Report database, 2014; Wealth based on internal estimate  
Note: \*Wealth is defined here as active investment and dormant money, thus excluding pension and unlisted shares.

# Client landscape

## Non-traditional client groups

While the historical wealth segments still have merit in some areas, they are starting to be challenged by new non-traditional groups that are based on behavioral patterns. It has become evident that demographic and socioeconomic shifts have created new opportunities within these non-traditional and underserved groups that fall outside of the standard approach. It is possible that segmenting by wealth is not sufficient to

find the right client group when launching a product like JUNE. Examples of non-traditional client groups are female customers or millennials. Other behavioral or personal characteristics could potentially also be relevant. The team behind JUNE is convinced that alternative means of segmentation and focus on non-traditional client groups will be helpful, but exactly how to segment clients is not yet certain.

## Examples of non-traditional client groups:

### Female investor insights

An increasingly larger part of global private wealth is held by women, corresponding to 30% in 2015. A BCG global study finds that only 14% of wealth managers have used marketing (such as seminars, events or forums) targeted at current or prospective female clients in the past year. This puts forward the question of whether female investors' needs are overlooked when segmenting on the basis of wealth.

### Female investor insights

- 65% of the women who had switched wealth managers reported doing so because of unhappiness with customer service and feeling misunderstood
- 44% of women depend highly on referrals from trusted people in their environment when choosing a bank or wealth manager
- 30% of female respondents listed friends and family as their primary source of investment advice (compared to 11% of all respondents)

Source: BCG report - Global Wealth: Navigating the New Client Landscape, 2016

### Millennials (16–35 years old):

Today, millennials hold an estimated 10% of global private wealth, projected to reach 16% in 2020. Millennials have grown up with rapidly advancing technology, and the vast majority are already familiar with online banking and mobile apps provided by their banks.

### Millennial investor insights

- Roughly 75% of millennial survey respondents who had switched banks said that dissatisfaction with customer service was the main reason
- Nearly 70% said that they would like to invest in socially responsible investments (e.g. renewable energy indexes, microfinance and conservation finance)
- Keenly interested in receiving services such as investment advice and portfolio analysis through a digital channel, incl. chat or automated advisory

Source: BCG report - Global Wealth: Navigating the New Client Landscape, 2016

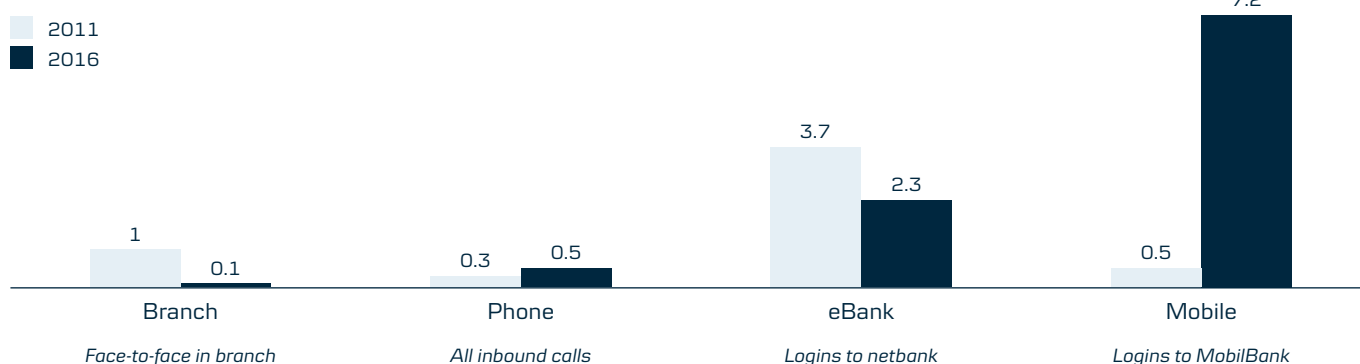
# Client landscape

## Face of the digital consumer

Banks increasingly have to serve their clients, not face-to-face in a local branch, but through digital services. This is evident in the channel usage of Danske Bank's customers and the fact that between 2010 and 2015, Danske Bank closed more than 50% of their physical branches. Not only is face-to-face

contact in banks heavily decreasing in frequency, customers are also specifically opting for mobile solutions. This strengthens the assertion that traditional banking capabilities are becoming less relevant, while digital acumen will help determine the winners of tomorrow.

## Average monthly channel usage per customer, Danske Bank DK



Source: Danske Bank internal Data. 2016 is YTD in September

## 20 most popular apps across the Nordics

Denmark		Sweden		Norway		Finland	
1	Facebook	1	Facebook	1	Facebook	1	WhatsApp
2	MobilePay	2	Instagram	2	Instagram	2	Facebook
3	Mail	3	BankID	3	Snapchat	3	Instagram
4	Rejseplanen	4	Mail	4	Yr	4	Ilta-Sanommat
5	Danmarks Radio	5	Safari	5	Mail	5	Mail
6	Facebook Messenger	6	Spotify	6	Spotify	6	Spotify
7	Google	7	YouTube	7	Facebook Messenger	7	Gmail
8	Netflix	8	Google	8	Netflix	8	Facebook Messenger
9	Snapchat	9	Facebook Messenger	9	RuterReise	9	Google
10	E-Books	10	Aftonbladet	10	VG	10	Yle Areena
11	Instagram	11	Netflix	11	NRK	11	YouTube
12	YouTube	12	Weather	12	Safari	12	Weather
13	Safari	13	Calendar	13	Dagens Nyheter	13	Chrome
14	Weather	14	Swish	14	Google	14	Netflix
15	Calendar	15	Gmail	15	YouTube	15	Skype
16	Gmail	16	Snapchat	16	Weather	16	Maps
17	Spotify	17	Chrome	17	Chrome	17	HERE Maps
18	Maps	18	SVT Play	18	Gmail	18	Snapchat
19	Chrome	19	Swedbank	19	FINN	19	OP-mobile
20	DMI Vejr	20	WhatsApp	20	NSB	20	Fonecta Caller

Source: AudienceProject Device Study 2016



# Competitive landscape

As a value creating product, JUNE functions as both an advice service and as an investment product. This is reflected in the spectrum of competing services. JUNE is a competitor to the traditional player's financial advice and investment products, but also to innovative start-ups and the highly popular investment platforms that are not associated with major banks.

## The traditional players

The competitive landscape has traditionally been dominated by the banks. In each of the Nordic countries, large banks have operations in a broad range of financial services, serving individual, corporate and institutional clients. While many banks are active internationally, most hold a far stronger position within the home market than abroad.

Danske Bank's position varies tremendously between the Nordic countries, with a solid position in the Danish market but holding a very limited share of the Swedish and Norwegian markets, where it is a priority to increase market share. The position in Finland is stronger than in Norway and Sweden, and growth is less of a priority here. Just as Danske Bank has acquired several players in the Danish market, M&A has been instrumental to growth in foreign markets. This includes the acquisition of Fokus Bank in Norway, Östgöta Enskilda Bank in Sweden and Sampo Bank in Finland.

While banks normally offer the personal client access to online trading and different investment funds, including fund-of-funds products, none of the traditional banks have yet launched a product similar to JUNE.

## Start-ups

Banks are increasingly subject to competition from small companies and start-ups. Venture capital investment in financial technology products has increased dramatically, and the presence of start-ups is substantial in the Nordic landscape of digital wealth management. Many of these start-ups draw on ideas from foreign successful ventures.

Several start-ups are launching robo-advisor products. Similar in spirit to JUNE, these products assess the users' investment profile, typically in terms of risk and time horizon, and use this information as the foundation of an ETF-based portfolio. These products include products include Apertio and Nord Investments in Denmark, Primepilot and TieLess in Sweden and Evervest in Finland. Several of these partner with financial institutions. Examples include Nord Investments partnering with the Copenhagen Cooperative Bank and TieLess partner-

ing with SaxoBank.

As is the case with JUNE, pricing is normally based on a percentage of the invested amount. This fee is either constant or based on the level of investment, so a user with more value invested will be charged relatively less. The companies generally have a required minimum investment ranging from DKK 0 to 30,000.

A different, yet interesting, example is Sigma Stocks, offering automated online investment advice. Through either a free plan or one of two subscription-based plans, Sigma will provide advice on portfolio allocation of a group of ETFs, Swedish equities or global equities. The advice is based on an assessment of risk and time horizon and also allows restriction of the portfolio to ethical investments. The service applies an algorithmic approach to portfolio optimization and provides optimal portfolio weights of several assets. Sigma is partnering with Nordnet and Avanza, but does not, in itself, allow the user to trade or acquire assets in any other way.

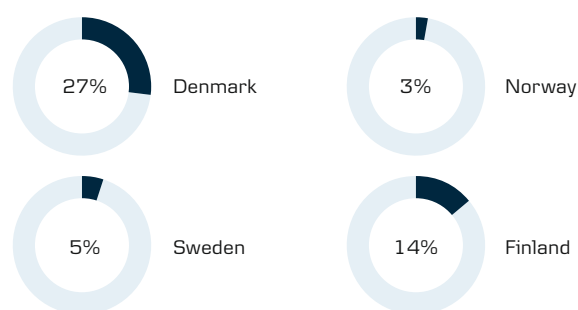
## Independent investment platforms

In the landscape of personal investments, trading platforms offered by non-bank actors have become increasingly popular. The major players include the highly popular Nordnet, with presence across all the Nordic countries, and Avanza. The success of these services is due to factors including a simple and intuitive interface and low-cost commission. The main service offered by these products is the ability to buy and sell different securities and funds. Pricing is mainly based on a commission on each trade, meaning the total cost of usage differs based on trading activity.









These actors also offer fund-of-funds products. The funds are often optimized for certain risk levels. If a user wants to hold a conservative portfolio, she can do this by simply investing in one of the offered funds-of-funds, e.g. Nordnet Safe. Like JUNE, Nordnet also provides an analysis of risk level. Nordnet's analysis is based on a questionnaire and provides suggestions for the user's portfolio. A main difference between this and a product like JUNE is that platforms like Nordnet leave it to the user to actually place the trades in order to hold the investment.

An innovative initiative by Nordnet is Shareville, a social media platform for investments, where the user can follow the positions of other users and track their return.

**Danske Bank market share, 2016**  
[% of total banking revenues]







## New innovative players and start-ups in the Nordic market

	Markets covered	Minimum investment	Description
1996 	<ul style="list-style-type: none"> <li>Sweden</li> <li>Norway</li> <li>Denmark</li> <li>Finland</li> </ul>	<ul style="list-style-type: none"> <li>No minimum investment</li> </ul>	<ul style="list-style-type: none"> <li>Low-cost trading platform targeting self-directors. Offers funds-of-funds</li> <li>Runs Shareville – social media for investors</li> <li>Expanded from Sweden through M&amp;A</li> </ul>
2001 	<ul style="list-style-type: none"> <li>Sweden</li> </ul>	<ul style="list-style-type: none"> <li>No minimum investment</li> </ul>	<ul style="list-style-type: none"> <li>Trading platform targeting self-directors for low-cost trading. Offers funds-of-funds</li> <li>Offers low-cost global market index funds and a zero-cost Swedish index fund</li> </ul>
2016 	<ul style="list-style-type: none"> <li>Denmark</li> </ul>	<ul style="list-style-type: none"> <li>DKK 30k minimum investment</li> </ul>	<ul style="list-style-type: none"> <li>Simple and low-cost investment in an ETF portfolio. Manages entire investment process, based on risk profile assessment</li> <li>Partnering with Københavns Andelskasse (Copenhagen Cooperative Bank)</li> </ul>
2017 (in beta) 	<ul style="list-style-type: none"> <li>Sweden</li> </ul>	<ul style="list-style-type: none"> <li>DKK 20k minimum investment (expected)</li> </ul>	<ul style="list-style-type: none"> <li>Simple and low-cost investment in an ETF portfolio. Manages entire investment process, based on risk profile assessment</li> </ul>
2016 	<ul style="list-style-type: none"> <li>Finland</li> </ul>	<ul style="list-style-type: none"> <li>No minimum investment</li> </ul>	<ul style="list-style-type: none"> <li>Simple and low-cost investment in an ETF portfolio. Manages entire investment process, based on risk profile assessment</li> <li>Higher information level than other services</li> </ul>
2017 (in beta) 	<ul style="list-style-type: none"> <li>Denmark</li> </ul>	<ul style="list-style-type: none"> <li>Not disclosed</li> </ul>	<ul style="list-style-type: none"> <li>Simple and low-cost investment in an ETF portfolio. Manages entire investment process, based on risk profile assessment</li> </ul>
2016 	<ul style="list-style-type: none"> <li>Sweden</li> </ul>	<ul style="list-style-type: none"> <li>SEK 5,000 minimum investment</li> </ul>	<ul style="list-style-type: none"> <li>Offering 5 ETF model portfolios based on risk appetite and time horizon. Advice is based on risk profile assessment</li> <li>Partners with Saxo Bank</li> </ul>
2014 	<ul style="list-style-type: none"> <li>Sweden</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>	<ul style="list-style-type: none"> <li>Algorithm-based advising on portfolio allocation and diversification. Provides advice only</li> <li>Bases advice on risk and time horizon and allows restriction to ethical investments</li> <li>Partners with Avanza and Nordnet</li> </ul>

Note: List is non exhaustive

Source: MobileLife Market Study, company websites

## Examples of robo-advisors outside the Nordics

	 <b>Betterment</b> INVESTING MADE BETTER®	 <b>nutmeg</b>	 <b>wealthfront</b>	 <b>scalable</b> CAPITAL
<b>Launched</b>	2007	2011	2008	2014
<b>Markets covered</b>	US only	UK only	US only	UK, Germany
<b>Special characteristics</b>	<ul style="list-style-type: none"> <li>Also offers a B2B institutional service platform for financial advisors</li> <li>Has previously partnered with Fidelity</li> </ul>	<ul style="list-style-type: none"> <li>Applies some degree of active management, but also at a higher cost</li> <li>Partners with State Street</li> </ul>	<ul style="list-style-type: none"> <li>Offers daily tax-loss harvesting to minimize taxation</li> <li>Also branching into college savings plans to diversify</li> </ul>	<ul style="list-style-type: none"> <li>Uses elaborate quantifications of risk to inform clients on risk exposure</li> <li>Based on 14 ETFs containing &gt;8,000 individual securities</li> </ul>
<b># of customers</b>	168,000	>25,000	73,000	1,000
<b>Target customers</b>	<ul style="list-style-type: none"> <li>~35 years old</li> <li>Millennials make up a large proportion of the client base</li> <li>~30% of customers are aged 50+</li> <li>60% primarily use the firm's mobile app</li> </ul>	<ul style="list-style-type: none"> <li>~37 years old</li> <li>50% of clients have never had financial advice before</li> </ul>	<ul style="list-style-type: none"> <li>More wealthy segment compared to e.g. Betterment</li> </ul>	<ul style="list-style-type: none"> <li>Average B2C customer is 45 years old with some investment experience</li> <li>Typically in the mass affluent, affluent and HNWI segments</li> </ul>
<b>\$ Total AuM:</b>	4.8 Bn	0.2-1.0 Bn	>3.5 Bn	>2 Bn
<b>Average account size</b>	Average account size \$30k, up from \$15-16k four years ago	Not disclosed	\$80,000	>£10,000
<b>Minimum investment</b>	None	None	\$500	£10,000

Note: List is not exhaustive

Source: BCG FinTech Control Tower: Digital Wealth Management, 2016

## Epilogue

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When walking into the meeting with his team, Simon tries to think through some of the biggest challenges of a Nordic expansion. Although the Nordics could seem culturally homogeneous at first glance, understanding savings and investment behavior across the different countries is definitely non-trivial. Also, the position of Danske Bank varies tremendously from country to country, and, generally, the awareness of Danske Bank is nowhere as high as in the home market. Adding to this, start-ups have already developed similar products in some markets. Although banking services generally face regulatory pressures, regulation is, however, not a major challenge for JUNE's expansion. Another aspect is that the strategy should enable further expansion beyond the first-chosen country. This means that in the first market beyond Denmark, JUNE cannot be a failure.

Although JUNE is already in beta testing, its target segment is still to be determined. Who will be the early adopters? Should JUNE aim to capture a part of the segment already using investment services, or should it try to activate the largely underserved lower wealth segments? It remains to be seen which function JUNE will have in the market.

While the product is not set in stone, alteration to the product design or functionality should not be fundamental. Any need for particular changes, in order to succeed in a specific country, would have to be justified and related to the overall go-to-market strategy.

Although the challenges may seem intimidating, Simon recalls some of his team's first thoughts on the prospects of JUNE. Rather than a safe play, they thought of JUNE as a bold pursuit from the start. JUNE was meant to be a moonshot with the purpose of democratizing investments in the Nordics. Ultimately, this should be the aim of the solution.





## Appendix – Country profiles

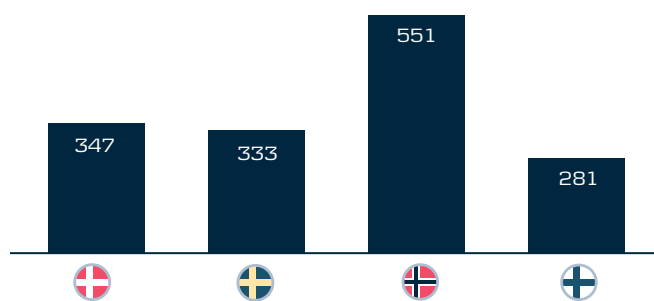
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22	Country Comparison: Nordics
24	Country profile: Sweden
26	Country profile: Norway
28	Country profile: Finland

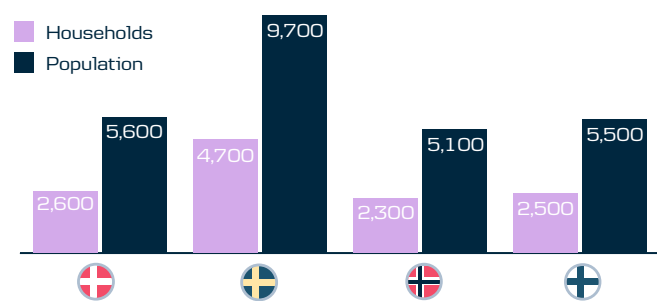
# Nordics – Economic statistics 2014

- Financial wealth includes locked investments, dormant money and active investments
- Locked investments consists of pensions and unlisted shares
- Dormant money consists of cash and deposit accounts

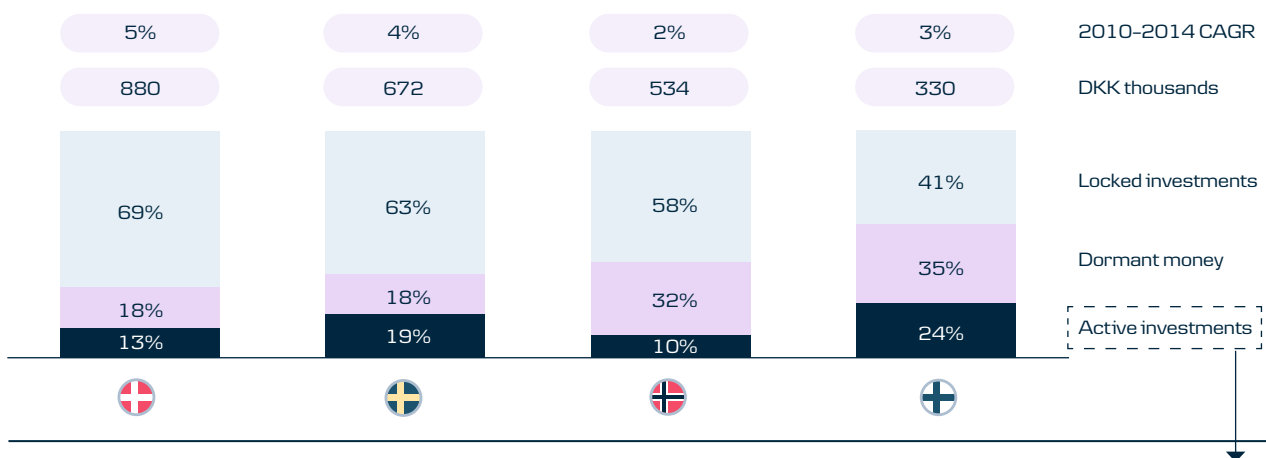
GDP per capita (DKK thousands)



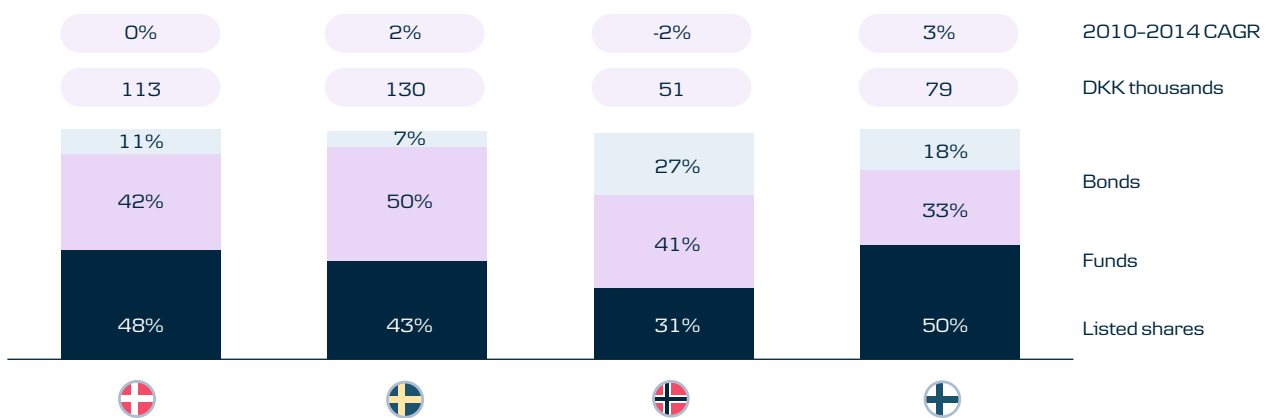
Household and population (thousands)



Financial wealth per capita by category, by country



Active investments per capita split by type, by country

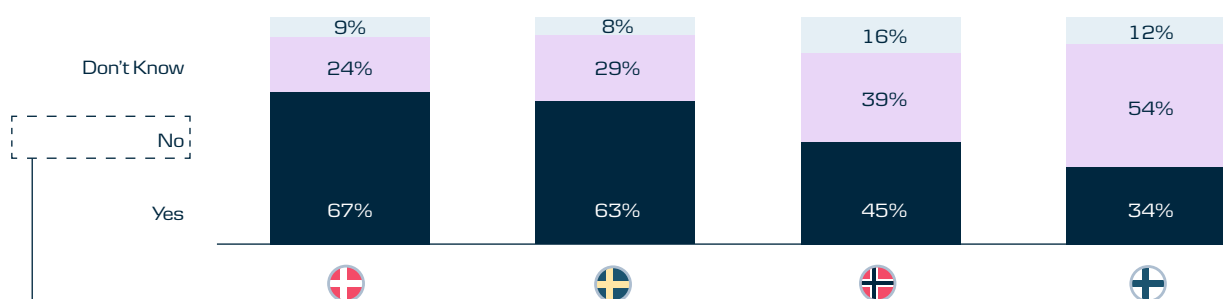


Source: Danske Bank Internal Data

# Nordics – Relevance of investments





## Relevance of investment in Nordic countries

Question: "Do you find investments relevant?"







## Reasons for not investing in Nordic countries

Question: "Why do you not find investments relevant?"

				
I don't have any free funds to invest	19%	14%	21%	43%
I don't want to tie up my funds because I need them	23%	13%	29%	22%
I lack knowledge of investments	34%	55%	25%	7%
I find investing very unsafe	19%	22%	25%	14%
Investing doesn't interest me	22%	23%	25%	19%
Other	5%	3%	6%	11%

## Reason for investing in Nordic countries

Question: "What is your investment perspective?"

				
I wish to invest my free assets to have a stable return	77%	45%	66%	58%
I wish to grow my assets to save up for a specific purpose	16%	39%	29%	22%
I would like to "play" with some of my assets	6%	16%	12%	7%

Source: Danske Bank Internal Data

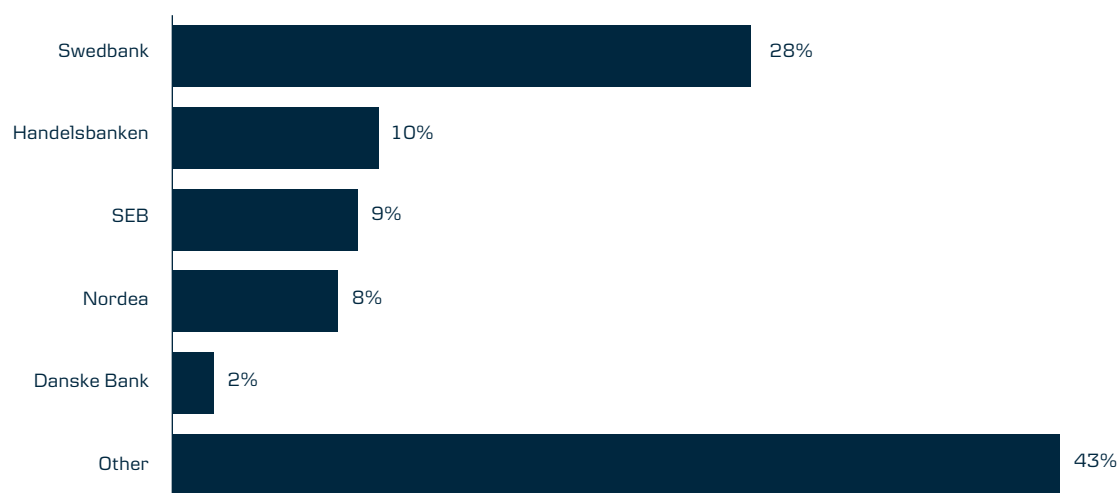
## Sweden – Competitive landscape



<b>Traditional players</b>	<ul style="list-style-type: none"><li>Swedbank is a major player in both the overall banking industry and within wealth management specifically. The followers are of significantly smaller size with Handelsbanken, SEB and Nordea taking up about the same share as Swedbank of total fund management AuM. More than 40% held by small players</li><li>In general, banks are considered not approachable, with no room for casual queries.</li></ul>
<b>Danske Bank position</b>	<ul style="list-style-type: none"><li>Danske Banks holds a minor position with only about 2% of fund management and a similarly small position in other banking services. It entered the Swedish market through the acquisition of Östgöta Enskilda Bank in 1997. Until 2011, the Swedish offices were branded through 16 different local bank names. Today, all offices are branded as "Danske Bank."</li><li>Danske Bank is perceived as average, anonymous and even slightly conservative.</li><li>Danske Bank has the role of a challenger bank and wants to rapidly grow its overall market share in Sweden in the coming years.</li></ul>
<b>Presence of innovators</b>	<ul style="list-style-type: none"><li>The trading platforms Nordnet and Avanza are well established in the market.</li><li>Primepilot (beta) and Tieless offer ETF-based products similar to JUNE. The services are expected to have a minimum investment of SEK 20,000 and SEK 5,000, respectively.</li></ul>

### Market share estimate

Fund management, AuM, 2015



Source: Danske Bank Internal Data

# Sweden – Client landscape

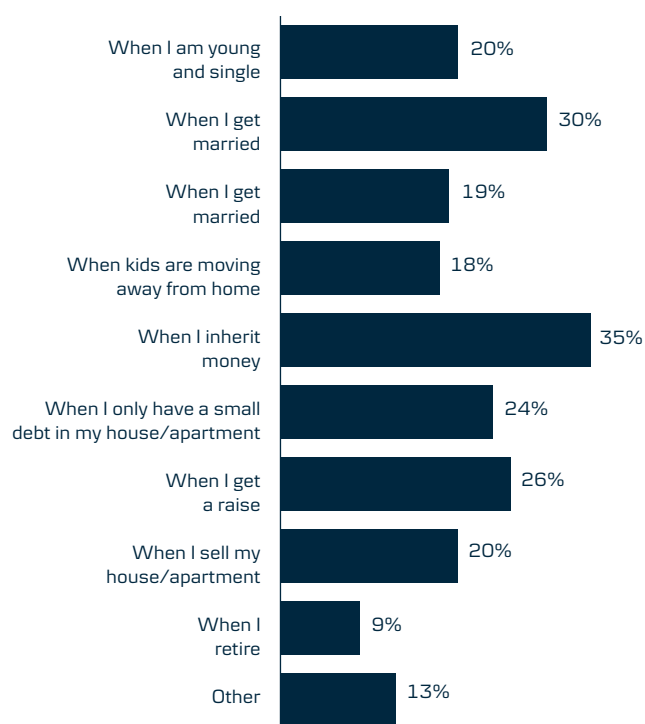


## Result of internal customer survey

<b>Customers insight</b>	<ul style="list-style-type: none"> <li>Investment and/or saving is often purpose-driven towards a specific goal.</li> <li>Acceptance found in the consensus of the group and endorsement of trusted sources</li> <li>Customers have a high awareness of ethical aspects. Avoiding child labor was often mentioned in interviews.</li> <li>Risk is of high concern and a big part of the dialog with first-time investors.</li> <li>What others do matters a lot – group behavior as validation factor</li> <li>Online research about investment is part of the process of investing.</li> </ul>
<b>Perception of investment</b>	<ul style="list-style-type: none"> <li>Initially associated with actively trading stocks – saving in funds is only seen as investment after reflecting on investment within interviews</li> <li>Funds are perceived as slow-moving with low maintenance for the customer.</li> <li>Stocks are perceived as having more rapid changes and require higher maintenance for the customer.</li> <li>Investment is not seen as a black-box – it's more a gray-box, i.e. consumers generally understand the products/terms, but not the specifics</li> </ul>
<b>Perception of risk</b>	<ul style="list-style-type: none"> <li>Consumers generally able to evaluate risk associated with specific investments, i.e. good understanding that some assets can be subject to high risk</li> </ul>
<b>View on money</b>	<ul style="list-style-type: none"> <li>Often each person has several purposes for their money, and the products should fit a specific purpose regarding time, risk and flexibility – no one size fits all.</li> <li>Money needs to be readily available to avoid borrowing from the bank.</li> <li>It's good and common practice to save for the future – people understand that in the current economic environment they lose money.</li> <li>Specific purpose/goal is a motivating factor for savings.</li> </ul>

## Considering investing

When would you most likely consider investing?



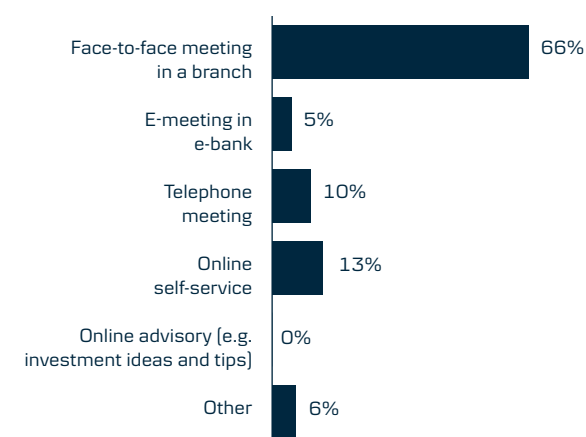
Source: Danske Bank Internal Data

## Considering investing

Would you like to receive personal investment advice from an investment advisor if you were to invest?



How would you prefer to interact with your bank if you were to want to talk about investments?





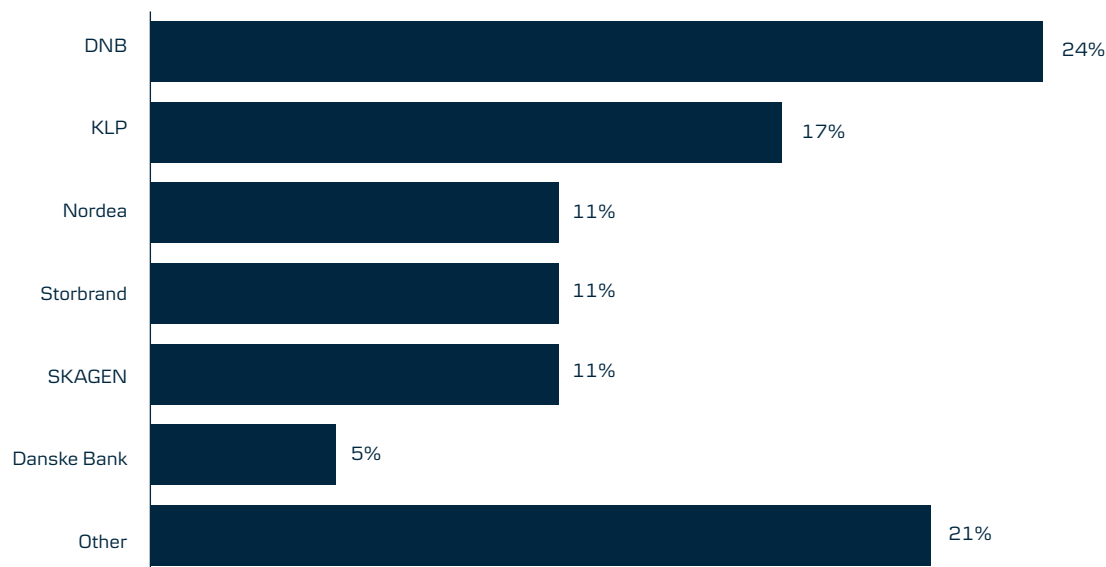
# Norway – Competitive landscape



<b>Traditional players</b>	<ul style="list-style-type: none"> <li>• DNB holds the largest position of the fund management market and of the banking industry in general. However, the position is not dominant, as several competitors are closely following its lead.</li> <li>• A relatively large share of the market is held by larger banks with at least 5%.</li> </ul>
<b>Danske Bank position</b>	<ul style="list-style-type: none"> <li>• Danske Bank is perceived as friendly and trustworthy. The typical user is a conservative middle-aged man, enjoying fishing and playing golf. Approximately half of respondents in the internal market study did not know Danske Bank.</li> <li>• Danske Bank heavily expanded its position in the banking industry with the acquisition of Fokus Bank in 1997. Fokus Bank was the result of several mergers in the late 80s and early 90s. Since 2012, the Norwegian branch has been branded as "Danske Bank," rather than "Fokus Bank" and has around 41 local branches in Norway.</li> <li>• Danske Bank has the role of a challenger bank and wants to rapidly grow its overall market share in Norway in the coming years.</li> </ul>
<b>Presence of innovators</b>	<ul style="list-style-type: none"> <li>• Nordnet is present with a low-cost trading platform and funds-of-funds adjusted to different risk levels.</li> <li>• Limited presence of start-ups or products similar to JUNE</li> </ul>

## Market share estimate

Fund management, AuM, 2015



Source: Danske Bank Internal Data

# Norway – Client landscape

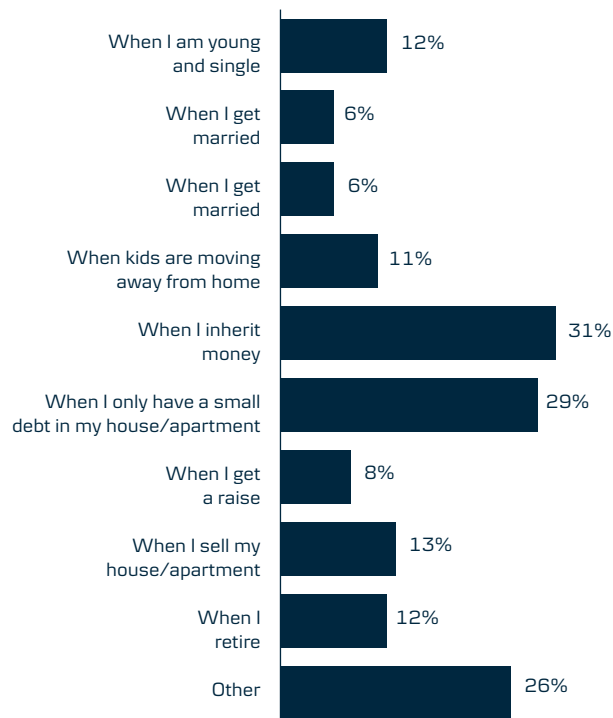


## Result of internal customer survey

<b>Customers insight</b>	<ul style="list-style-type: none"> <li>Harming others for personal gain is a deal breaker – supporting personal preferences, e.g. for specific industry, can be a deciding factor.</li> <li>The closer the personal relationship, the higher the trust – information from the bank is validated up against people in close networks.</li> <li>People who save keep a close check on their personal finances.</li> <li>Most people have not invested at all in recent years – no dominating/clear reason why.</li> </ul>
<b>Perception of investment</b>	<ul style="list-style-type: none"> <li>Impression that investment requires large sums of money</li> <li>Successful investment relies on degree of knowledge and individual skills.</li> <li>People should not be harmed as a result of investments, thus transparency in industry and offering is important.</li> <li>Stock funds ('aktiefond') are a relatively well-known product.</li> <li>Stocks are seen as high risk, for playing or for projects people believe in.</li> <li>Investing in stocks is time consuming, requires quick response to market and knowledge to navigate and predict.</li> </ul>
<b>Perception of risk</b>	<ul style="list-style-type: none"> <li>Investment is perceived as gambling – like betting on sports!</li> <li>Some understanding that an extra return requires additional risks.</li> </ul>
<b>View on money</b>	<ul style="list-style-type: none"> <li>Consider investing when they have more than their self-defined buffer</li> <li>Aware of inflation impacts on savings account</li> <li>Money is for something that creates true value in their lives (vacations, experiences, long lasting goods/housing, etc.).</li> <li>Up to 33-year-old people often save in special high-interest accounts for real estate saving.</li> <li>Rely on network for questions related to money and investments</li> </ul>
<b>Other insight</b>	<ul style="list-style-type: none"> <li>There was a national scandal involving many municipalities where a bank guided customers wrongly about their investments and they lost a lot of money.</li> </ul>

## Considering investing

When would you most likely consider investing?

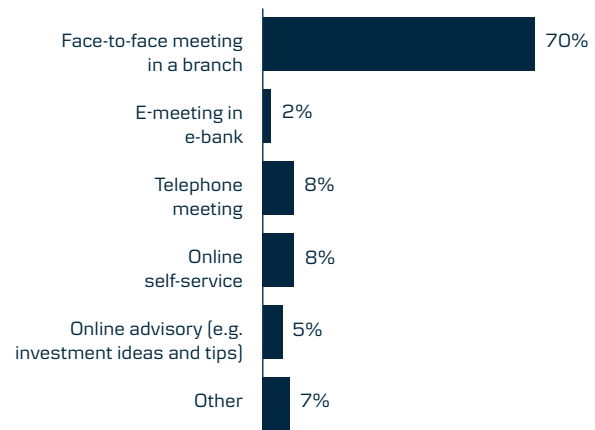


## Considering investing

Would you like to receive personal investment advice from an investment advisor if you were to invest?



How would you prefer to interact with your bank if you were to want to talk about investments?



Source: Danske Bank Internal Data

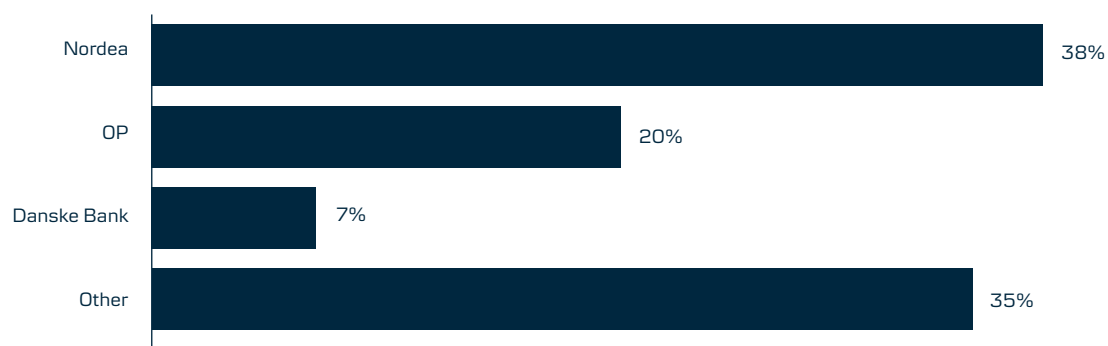
## Finland – Competitive landscape



<b>Traditional players</b>	<ul style="list-style-type: none"><li>• Nordea and OP combined have nearly 60% of AuM.</li><li>• 35% of assets under management is held by players with a less than 7% share.</li></ul>
<b>Danske Bank position</b>	<ul style="list-style-type: none"><li>• Danske Bank has a solid market position at around 14% of total banking revenues.</li><li>• Increased market position by the acquisition of Sampo Bank in 2006. Since 2012, Sampo Bank has been known as Danske Bank.</li><li>• Is known as a bank with technical problems after the transformation from Sampo Bank</li><li>• Danske Bank is perceived as a distant and not very Finnish bank.</li></ul>
<b>Presence of innovators</b>	<ul style="list-style-type: none"><li>• Nordnet is present with a low-cost trading platform and funds-of-funds adjusted to different risk levels.</li><li>• The start-up Evervest has entered the market. Evervest is similar in spirit to JUNE and offers an assessment of investment profiles and design portfolio in ETFs based on this assessment.</li></ul>

### Market share estimate

Fund management, AuM, 2015



Source: Danske Bank Internal Data

# Finland – Client landscape

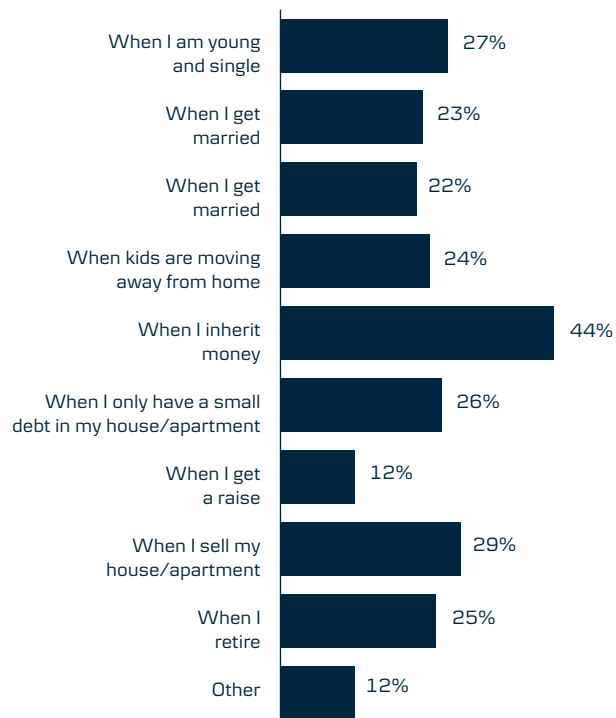


## Result of internal customer survey

<b>Customers insight</b>	<ul style="list-style-type: none"> <li>• Money is serious business – careful consideration required for investments</li> <li>• The product price structure and investment should be fair and ethical.</li> <li>• Investors will not rely on the bank – each will ensure they have a sufficient understanding themselves.</li> </ul>
<b>Perception of investment</b>	<ul style="list-style-type: none"> <li>• Investment is needed to get something out of your money – money should grow.</li> <li>• It is complex, risky and should be left to professionals.</li> <li>• Vague idea of the difference between bonds, stocks and funds</li> <li>• “It’s a grumpy man’s game.”</li> <li>• Investment in forestry is something that one can relate to (forestry is an old and established form of investment in Finland).</li> </ul>
<b>Perception of risk</b>	<ul style="list-style-type: none"> <li>• Media news creates associations that investment is high risk (due to market fluctuations, dodgy businesses and greedy shareholders).</li> <li>• Putting savings at risk is not sensible – especially not for money you need.</li> <li>• Generally good understanding that risk and return go hand-in-hand</li> <li>• You can give yourself better odds by acquiring knowledge – risk is dependent on the person who manages the investments.</li> </ul>
<b>View on money</b>	<ul style="list-style-type: none"> <li>• Money is serious business, i.e. investment is serious business (“it’s not a game!”), but money is not the end goal.</li> <li>• Money requires careful consideration before bigger decisions are made.</li> <li>• Need to save in order to pay for future home renovations – do not want to borrow money!</li> <li>• Tracking and budgeting personal money flow is quite common.</li> </ul>
<b>Other insight</b>	<ul style="list-style-type: none"> <li>• Mistrust in security of mobile phone technology</li> </ul>

## Considering investing

When would you most likely consider investing?



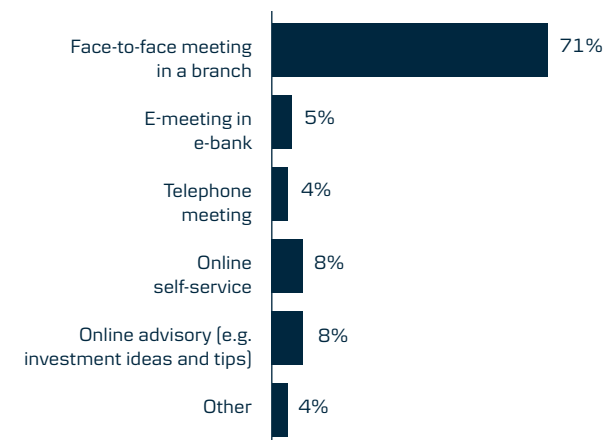
Source: Danske Bank Internal Data

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