

# xDesign Metrics Inc.

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### **EzConjoint™ Example – Financial (Exchange Traded Fund) ETFs**

Disclaimer...

This case study is solely an illustrative exercise and does not in any way reflect the position of any referenced company or product on this issue. Its aim is to show types of research projects one can design and execute using our research platform.

**DO NOT QUOTE**

# CASE STUDY: Financial (Exchange Traded Fund) ETFs



## Research Background

Financial investment products are managed to be style-pure to fulfill specific roles in your clients' asset allocation strategies

Which is why Financial is rethinking indexation to elevate your investing. Help strengthen your clients' portfolio and pursue better risk-adjusted returns

by capturing the research and insights of one of the world's leading asset managers.



## Research Objectives

A Concept Model built to uncover answers to such questions as:

Which messages maximize portfolio managers likelihood to invest in the new ETF product?

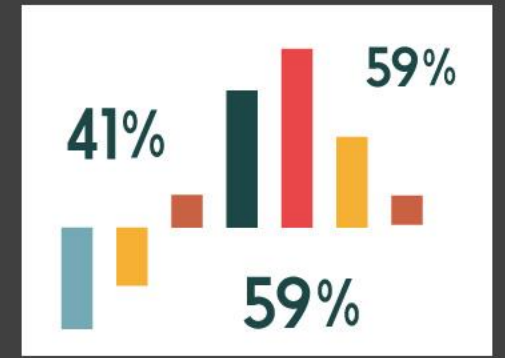
What key differences, if any, exist within different classification criteria such as geographical region?.



## Survey Deployment

Participants take surveys remotely via, field sites, online or in person.

EzConjoint™ is flexible to be deployed anywhere around the globe in secs.



## Output & Analysis

Data is collected virtually and analyzed.

Marketing tools are then created from the analyzed response to create a tailored made marketing message.

# DEMO STUDY: Financial (Exchange Traded Fund) ETFs

## *Key Terms Overview*

### **What Is a Concept?**

- ✓ Consumers/Respondents react to “concepts” comprised of systematically varied elements from different categories. Every combination is unique for each concept, so that if your design is for 100 concepts, there will be a total of 100 unique concepts. In EzConjoint™ concept modeling, every screen a respondent sees represents a concept.

### **What Is Category?**

- ✓ Categories are a nice place to start when organizing elements. Think of categories as different files in a filing cabinet, organizing or grouping similar statements (elements) in one place. Categories aid our conceptualization process during stimuli (elements) creation. They are the building blocks for the design of EzConjoint™ concepts.

### **What Is An Element List?**

- ✓ An element list is an “information bank” or constituent part. The list comprises of statements describing the characteristics and benefits of a product, service or idea being investigated. The list should tie back to the objectives of the study.
- ✓ It is the single most important component of a project. Well thought out elements, covering a wide range of ideas provide a strong foundation for a successful study

# DEMO STUDY: Financial (Exchange Traded Fund) ETFs

## Methodology

### IDEATION PROCESS

FlexDesign™ messaging, an advance market research conjoint-based technique, which allows the testing of many different statements or phrases that are called elements is used.

Elements are stand-alone pieces of information (attributes) that communicate product attributes and descriptors. Elements that are related are arranged in buckets called categories

For this research demo, a total of 52 concept screens were developed from 21 elements (ideas/messages) and grouped into 6 categories.

Category	# of Messages
Portfolio construction	6
Security selection	5
PORTFOLIO	5
EXPERTISE & SUCCESS	5
Total # of Messages	21

# Messages ... Portfolio construction & Security selection

## Category 1: Portfolio construction

- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions and sectors
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sectors
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sectors and stocks
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions
- ✓ Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks
- ✓ Index that gives institutional and retail investors the ability to express and execute investment views in an efficient, low-cost and transparent way – something that was not previously available...

## Category 2: Security selection

- ✓ Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance
- ✓ A creamy and smooth avocado spread Screens stocks based on factors — including value, quality and momentum — that have historically driven strong performance
- ✓ Index factors are combined so that risk and return outcomes can be improved
- ✓ Idea generation from powerful screening, tracking, and comparison tools

# Messages ... PORTFOLIO & EXPERTISE & SUCCESS

## Category 3: PORTFOLIO

- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across regions and sectors
- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors and stocks
- ✓ Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors
- ✓ Seeks to minimize exchange rate fluctuations by hedging out international currency exposure
- ✓ Seeks to minimize exchange rate fluctuations by hedging out European currency exposure

## Category 4: EXPERTISE & SUCCESS

- ✓ Combines decades of company proven research and insights with FTSE Russell, a leader in global index construction
- ✓ Uses a multi-factor stock screening process that has historically driven strong performance
- ✓ Managed by a highly experienced company investment team
- ✓ Provides access to some of the most sophisticated fixed income investment capabilities available to investors
- ✓ Provides access to the most free independent research reports in the industry

# THE RESEARCH PLATFORM: EzConjoint.com

Preview Live Demo Link: <http://author.ezconjoint.com/IdeaSpring/preview.aspx? p=2105& l=1>

This screenshot shows the main interface of the EzConjoint.com platform. At the top, there are navigation tabs for 'Designs', 'Projects', and 'Help'. Below this is a 'Gallery' section with a 'New Project' button and a 'Filter By' dropdown. A list of projects is displayed, including:

- Hilary Clinton 2016** (Language: English-US, Created By: Account Demo on 07/21/2016, Modified By: Account Demo on 07/21/2016)
- Criteria for evaluating US Military contractors** (Language: English-US, Created By: Account Demo on 07/20/2016, Modified By: Account Demo on 07/20/2016)
- U.S. Department of Defense Goals - Renewable Energy** (Language: English-US, Created By: Account Demo on 07/07/2016, Modified By: Account Demo on 07/07/2016)
- Lipstick KANO - French** (Language: French)
- The Ideal Beer And Wine Pairings** (Language: English-US)
- Bladder Weakness** (Language: English-US)
- Banquet and Catering Ideas - DE** (Language: English-US)
- La Cantera Credit Card Offering -** (Language: English-US)
- Lipstick - Kano Model** (Language: English-US)
- Avocado - French** (Language: French - France)
- Avacado-English** (Language: English-US)

This screenshot shows the 'Information' tab for a project. The interface includes a table with columns: 'Information', 'Category(s)', 'Starting Note', 'End Note', 'Rating(s)', and 'Link'. Below the table, the following details are visible:

- Language:** English-US
- Design:** 6X4XSXS
- Title:** J.P. Morgan (Exchange Traded Fund) ETFs
- Description:** J.P. Morgan (Exchange Traded Fund) ETFs
- Options:** A series of dropdown menus for 'Orientation' (Horizontal), 'Theme' (Boxed), 'Re-Login' (None), 'Text-Justify' (Center), and 'Data Type' (FlexDesign). There is also a 'Passcode' field.
- Checkboxes:** 'Run Analytics' (checked), 'Show End Page' (checked), and 'PackageMap' (unchecked).

At the bottom, there are 'Home', 'Save', and 'Cancel' buttons.

This screenshot shows a detailed view of an element within the 'Information' tab. The table at the top has columns: 'Information', 'Category(s)', 'Starting Note', 'End Note', 'Rating(s)', and 'Link'. The 'Information' column is expanded to show the following details:

- Name:** Element - 3763
- Image:** (Empty field)
- Media:** (Empty field)
- Z-Index:** (Empty field)
- Rotation:** (Empty field)
- Width:** (Empty field)
- Height:** (Empty field)
- Opacity(%):** (Empty field)
- Left:** (Empty field)
- Top:** (Empty field)

Below these fields is a rich text editor with a toolbar containing icons for undo, redo, bold, italic, underline, link, unlink, list, and text color. The text area contains the following content:

Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions and sectors

body

At the bottom, there are 'Home', 'Save', and 'Cancel' buttons.

# THE RESEARCH PLATFORM: EzConjoint.com

Example of an Interview Screen  
Rating Question: Investment Interest

The screenshot shows a web browser window with the URL `author.ezconjoint.com/IdeaSpring/Preview/Concepts/Horizontal`. The main content area is a light gray box containing the following text:

- Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks
- Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance
- Seeks to minimize exchange rate fluctuations by hedging out European currency exposure
- Provides access to some of the most sophisticated fixed income investment capabilities available to investors

Four arrows point from the text to the following categories on the right:

- Message from Portfolio construction category
- Message from Security selection category
- Message from PORTFOLIO category
- Message from EXPERTISE & SUCCESS category

Below the text is a rating question: "Based on your expertise in this industry, how LIKELY are you to invest in this new ETF?"

The rating scale consists of nine numbered circles: ① ② ③ ④ ⑤ ⑥ ⑦ ⑧ ⑨

Below the scale is the text: (1 = Not at all Likely, 9 = Very Likely)



# Messages which *Suppress* Investment Interest

Europe portfolio managers react strongly when wrong messages selected  
 US portfolio managers DO NOT strongly react negatively to any message

Here is what Result Model Data Table looks like and How Easy It Is to Interpret.

The output is a measurement of utility or value and is perfect for answering questions such as:

- ✓ Which messages maximize portfolio manager likelihood to invest in the new ETF product?
- ✓ Etc.

In addition these utilities are used to build market models that enables forecasts to be made of what the market would choose given different product or service designs.

		Total Sample	US	EUROPE
	Base Size	113	29	84
	(Constant)	45	77	33
A2	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile sector	7	22	2
B1	Screens stocks based on factors — including value, size, momentum and low volatility — that have historically driven strong performance	-6	-1	-5
C2	Tracks an index that aims to deliver higher risk-adjusted returns than a traditional market cap-weighted index through broad diversification of risk across sectors and stocks	-3	-1	-4
D4	Provides access to the most free independent research reports in the industry	4	3	5

*Do Not Quote – For Illustrative Purposes Only*

Question: How Likely would you be to invest in this new ETF product?

# Concept-Response Segmentation

**Look at how the portfolio managers respond to the different messages**

- ✓ And...not what the managers say about themselves in the classification
- ✓ People in the same industry/region differ in what they want
- ✓ Why...because we're interested in different mind-sets
- ✓ And...mindsets come from the way people respond

**So...you can create products and messages that strongly appeal**

- ✓ Why...because you hit true, strong ideas
- ✓ Approach comes from attitudinal segmentation of the elements (messages)

# We Applied The Method

## **Two radically different mind sets in the portfolio managers**

✓ Mind set of Segment #1 = “Risk Averse portfolio managers”

**Mind set of Segment #2 = “Concentration risk portfolio managers”**

✓ *This provides new opportunities*

# Messages which Segment Investment Interest

25% of portfolio managers highly motivated by risk-weighting process

		Total Sample	Risk Averse managers	Concentration on risk managers
	Base Size	113	86	27
	(Constant)	45	45	<b>42</b>
A2	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile regions	-4	-12	21
A5	Index that strategically diversifies risk through a risk-weighting process that results in lower exposure to historically volatile stocks	-7	-14	18
B2	Screens stocks based on factors — including value, quality and momentum — that have historically driven strong performance	5	1	18
C4	Seeks to minimize exchange rate fluctuations by hedging out international currency exposure	4	0	17
C5	Seeks to minimize exchange rate fluctuations by hedging out European currency exposure	5	2	15
D1	Combines decades of company proven research and insights with FTSE Russell, a leader in global index construction	4	2	12
D3	Provides access to some of the most sophisticated fixed income investment capabilities available to investors	1	-2	10

Question: How Likely would you be to invest in this new ETF product?

# Who ...participated

## Classification Distribution

Q1: Which attribute do you typically pick when investing in ETF?	
Weighting Methodologies	0%
Style vs. Pure Style	5%
Small Caps vs. Large Caps	31%
Hedged vs. Not-Hedged	13%
Front Month vs. Balanced	15%
Futures-Based vs. Physically-Backed	4%
Replication vs. Sampling	5%
Leverage Duration: Daily, Monthly, and Beyond	26%
Q2: Which of the following ETF factors do you usually choose?	
Cost	61%
Diversification	21%
Open Book	16%
User-Friendliness	45%
Underlying Index or Asset	15%
Total stock market	9%
Trading Activity	24%
Other	4%