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The Adoption of Robo-Advisors [Working Title]
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Motivation and Aim:

In 2021, CNBC titled, 'Robo-advisor dream of disrupting Wall Street wealth is not working out exactly as planned' (Rosenbaum, 2022). Robo-advisers provide financial advice and manage investment portfolios online with minimal human intervention based on mathematical rules or algorithms. There is an ongoing hype concerning robo-advisors with new companies entering the financial markets (e.g., Scalable Capital, Bevestor or Betterment). But it seems that the market for robo-advisors does not grow as planned since individuals do not adapt robo-advisors as expected.

Many robo-advisor companies have started to provide the option of hybrid services that combine human and digital advice (Lee, 2021). But what are the reasons for the relatively low utilization rate of robo-advisors and the switch to hybrid formats?

Recent survey findings suggest that individuals in the United States are averse towards robo-advisors for various reasons. First, individuals think they gain a higher return if they do the financial investment themselves. Second, they do not trust algorithms. Third, humans want to have an emotional element while interacting with their advisor.

This raises the question whether individuals are averse towards robo-advisors and thus, algorithms or rather overconfident regarding their (investment) skills?

This question is not only crucial for the adoption of robo-advisors but also for the use of algorithmic support in general since individuals are increasingly able to include algorithmic support in strategic decision making.

The aim of this thesis is to provide an overview about the adoption of robo-advisors. Thereby, the following research questions should be considered: How does a robo-advisor work and which companies do offer financial advice through robo-advisors? What are the advantages and disadvantages of robo-advisors compared to standard financial advice? Which factors alter the use of robo-advice? Does overconfidence regarding the users' capabilities affect the use of robo-advisors? How should robo-advisors be optimally designed to increase the adoption rate?

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