

Full Service, Discount, Predominantly Online, And Niche Brokerage Firms...

Contributed by Phoenix
Tuesday, 30 October 2012

Face a Unique Challenge Marketing to Online Active Traders in 2013

Quarterly research conducted by Phoenix Marketing International among active traders shows why the marketing plans of brokerage firms targeting these individual investors must recognize that age accounts for substantial differences in traders' consideration of trading platforms (brands), the securities they trade, and expected near-term changes with both their investment accounts and brokerage relationships.

Phoenix Marketing International, one of the top research companies in the U.S., announced today findings from its quarterly study among active traders placing on average 4-to-9 or 10+ online trades each month. Historical findings show that traders' consideration of online trading platforms varies by type of brokerage firm offering these capabilities and age of the active trader.

Moreover, the type of securities traded online and whether or not there is near-term opportunity for brokerage houses to expand account revenue is also a function of traders' age. Brand consideration is based on % top-two ratings on a seven point scale reported by prospects (i.e., non-account holders).

Brokers seeking to grow account assets and commission revenue from online active traders must consider traders' age when developing their 2013 marketing strategies. Our historical data demonstrate that age has a substantial impact on active traders' consideration of brands offering online trading platforms. For example, aggregated data covering 1Q10 thru 3Q12 show that older traders awarded their highest consideration to only full service and discount brokerage firms," explains John Duggan, Phoenix VP of Sales and Marketing. Specifically, active traders age 50+ gave highest ratings to Charles Schwab, E*Trade, Fidelity, TD Ameritrade, Scottrade, ThinkOrSwim, and WellsTrade.

Active traders under age 50 also gave high marks to these full service and discount brokerages. However, the principal difference between younger and older active traders lies with their consideration of predominantly online and niche platform providers (e.g., Firsttrade, Forex Capital Markets, FX Solutions, Gain Capital, Global Forex Trading, IG Markets, Interactive Brokers Group, Muriel Siebert & Company, and TradeStation).

Active traders under age 50 gave equally high consideration to these firms as they did to full service and discount brokers. In fact for most predominantly online and niche brokerage firms, younger traders' consideration was at least two times that of older traders," adds Duggan.

Age also accounts for differences among active traders insofar as the securities they trade. While traders age 50+ in 3Q12 were more likely to own individual equities separate from their employer-sponsored retirement plan (88% vs. 70%) and stocks of foreign companies traded on US exchanges (47% vs. 38%), they were less likely to trade: securities on margin (34% vs. 67%), stocks of foreign companies traded on foreign exchanges (17% vs. 27%), options (22% vs. 34%), futures contracts (6% vs. 19%), and to place 10+ online equity trades in a typical month (13% vs. 20%).

Another age-specific difference among online active traders that brokerage firms should be aware of is near-term growth opportunities are greater among traders under age 50.

Looking ahead to 4Q12, this group reported a higher likelihood to establish a new relationship with a brokerage company (24% vs. 10%), to open an additional trading account with their brokerage (30% vs. 13%), to investigate brokerage companies offering capabilities specifically for active traders (22% vs. 15%), and to look for a financial advisor (19% vs. 4%).

As for sizing the opportunity for acquiring additional account assets, a larger share (55%) of active traders age 50+ reported investable assets in excess of \$500K than did younger traders (33%). Finally, brokerage firms need to understand that younger and older active traders do not differ in terms of their gender, household income, and preferred approach toward making investment decisions as both groups see themselves as self-directed investors.

The quarterly Phoenix Active Trader study has been conducted since October 2005 and was recently administered to 1,205 traders age 21+ for whom a majority report household investable assets of at least \$100K. Study data are representative of active traders residing in the U.S. based on average monthly trading volume, age, employment status, years actively trading securities online, if they trade on margin, and whether they trade options and futures.

Also reported are detailed evaluations of investor-targeted Print and TV advertisements and traders' assessment of the online trading platform and related capabilities of such leading brands such as AB Watley, Ameriprise Financial, BSG Traders (The Wizard), Charles Schwab, E*Trade, Fidelity Investments, Firsttrade, Folio Investing, Forex Capital Markets, FX Solutions, Gain Capital, Global Forex Trading, IG Markets, ING Direct/Sharebuilder, Interactive Brokers Group,

Interbank FX, Invesco, Lightspeed Trading, Market Club, Merrill Lynch, Morgan Stanley/Smith Barney, Muriel Siebert & Co., optionsXpress, Scottrade, TD Ameritrade, ThinkOrSwim, TradeKing, TradeStation, Wang Investments, Wells Fargo, WellsTrade, Xpresstrade.

About Phoenix

For more information please visit <http://www.phoenixmi.com/>

Rhinebeck, NY – 29 October 2012