

On-line trading has grown 1081% since 1997

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In the past year, common stocks (67%) and mutual funds (36%) were the dominant securities owned and traded by those with an online trading account. Options, bonds and futures are traded infrequently by comparison among retail account holders. Mintel concludes that bond trading is less frequent because the value of the assets change much less frequently than common stocks and mutual funds.

Overall, 80% of respondents with an online trading account report that fees are the most important factor in selecting an online broker. This indicates that the online trading consumer base is more interested in having a low-cost online trading platform rather than customized broker-assisted trading services. However, the market for broker-assisted online trades is still an important service to approximately one-fourth of respondents. Online trading firms that offer both facilitated and non-facilitated commission schedules are positioned to serve a broad range of consumer needs. Site usability, order handling, availability of real-time data, and minimum balance/trade requirements are also important factors, but to a lesser extent. For attracting and retaining customers in the online trading market, aligning fees with competitive offerings is the key consideration in developing and executing pricing schedules.

According to Mintel's exclusive research, 19% of respondents that do not have an online trading account have an offline investment account with an online option, but elect not to use or setup this feature. Meanwhile, 3% have said they have searched but have not found an online brokerage firm that they feel is suitable for their needs.

Online brokerages with established offline business have lowered fees to compete with discount brokers. The market is characterized by promotional offers and signing incentives for free trades. While uniformity of the fee structures could emerge in the next five years, there is still a great deal of stratification between commission pricing schedules in the online trading market.

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