

# Slowing retail trading volume will drive new growth strategies for trading platforms

Article

**The news:** Global retail trading volumes slowed in Q3 2021 quarter-over-quarter amid the reopening of economies worldwide, according to **Drivewealth's** report. Its findings are based

on data from the millions of retail investors that trade through its platform.

**The findings:** The end of lockdown restrictions, decreased savings, and increased hopes of economic recovery correlate with less frequent trading, but year-over-year volume remains higher.

- Vaccine rollouts facilitated the reopening of societies. Globally, active mobility surged 35% from Q2.
- Consumer spending jumped and savings decreased: In the US, for example, **the personal savings rate, compared with disposable income, plummeted to 9.4% in August from 33.8% in April 2020.**
- The end of lockdown restrictions boosted consumers' confidence in a sustained economic recovery and lowered their expectations for economic volatility—which had encouraged retail investors to flock to trading platforms over the past year.
- Combined, these factors led to reduced volume globally: **The number of aggregate shares traded fell 14% QoQ, including a 10.5% volume dip on the Nasdaq 500.**
- Yet when viewed through an annual lens, trading volume remains elevated: Trades placed on Drivewealth's platform grew 34% YoY. But volume is unlikely to jump back up to the record levels of the past year. This creates a new state of play for trading platforms.

**What's next for digital trading platforms?** No longer able to rely as heavily on swathes of new investors, trading platforms must navigate this inflection point by prioritizing engagement strategies, expanding to less tapped-out markets, and creating product differentiation.

- **Engagement.** Robinhood predicted a Q3 trading slowdown. To counter it, the trading giant has been busy supplementing its offering with features to keep users engaged with its platform. Its efforts include purchasing tech firm **Say Technologies** for \$140 million to facilitate shareholder-invested company communication. Other players will follow Robinhood's lead.
- **New markets.** Geographies such as the US and UK are congested with large players like Robinhood, eToro, and Freetrade, among others. Established fintechs will expand internationally to drive customer growth—for example, Freetrade is prioritizing less-competitive European markets, like Sweden and the Netherlands.
- **Product differentiation:** As competition heats up among digital trading platforms, they will increasingly seek to distinguish their offerings through growth pockets, like crypto products.

For example, Robinhood has **doubled down** on its successful crypto trading—which represented more than half of the fintech's transaction revenue in Q2—by adding recurring investments.

### Leading US Stock Trading Apps, Ranked by Download Share, 2018-H1 2021

% of total

	2018	2019	2020	H1 2021
Robinhood	25%	28%	33%	38%
WeBull	3%	3%	6%	15%
Stash	18%	12%	17%	8%
Acorns	19%	23%	10%	8%
Fidelity	6%	6%	6%	7%
TD Ameritrade	5%	3%	6%	6%
Other	23%	26%	22%	19%

Note: numbers may not add up to 100% due to rounding

Source: Sensor Tower, "The State of Asset Management Apps 2021," July 12, 2021

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