

How digital brokers can address Europe's lack of investing appetite

Article

What we've been thinking: A host of European digital brokers are eagerly expanding across the continent to become the trading app of choice. Today, we analyze how local players who have yet to mirror the success of **eToro** can get ahead.

What do we mean by being like eToro? The fintech, which is available in **140 countries**, has more than **20 million users**, **69%** of whom are based on the continent. The next largest

digital brokers in the region are nowhere near its size—**Bitpanda** has 3 million users, and **Trade Republic** and **Freertrade** each have 1 million.

The challenge in Europe: Digital brokers need to get more people investing in the first place—unlike in the US, where it's more so a case of fintechs stealing market share from incumbent retail brokers.

- **Fifty-two percent** of US households invest in the stock market, compared with **33%** in the UK and **15%** in Germany.
- This is because even before trading apps popped up, US consumers had access to the likes of **TD Ameritrade**, **E*Trade**, and **Fidelity**. So digital brokers like **Robinhood** and **Webull** could draw from a large addressable market, making it easier for them to reach **18.9 million** and **11 million** users, respectively.
- European brokers are trying to boost their user growth by extending their reach across the continent, but the smaller investing appetite amplifies the need for value-added features.

How to get ahead: Here are the features eToro has relied on to boost user growth in Europe.

- **Prioritize social media components over gamified interfaces.** Gamified tools incentivize user engagement with effects like confetti, but much like in the US, these have drawn the **ire** of European regulators for potentially harming inexperienced investors. Instead, local digital brokers can better engage users with social media features like sharing and discussing trades. eToro is well known for its social news feed and the ability to mimic other traders on its platform.
- **Offer access to the widest range of assets.** This creates a more unified trading experience for users and helps avoid attrition to other brokers. eToro already offers crypto trading alongside stocks. And **Bitpanda**, which started as a crypto exchange, added share trading in April, helping it increase its valuation threefold to **\$4.1 billion**.

Saving and Investing Habits According to Adults in Germany, by Demographic, May 2021

% of respondents in each group

	Save	Invest
Gender		
Female	72%	29%
Male	66%	39%
Age		
18-25	71%	25%
26-35	75%	28%
36-45	68%	31%
46-55	66%	40%
56-65	66%	42%
66+	69%	39%
Total	69%	34%

Source: Klarna, "Money management pulse: Germany" in collaboration with Nepa, June 2021

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