

Robinhood looks to cut spiraling losses with more offerings as retail investor interest wanes

Article

The results are in: Robinhood's losses widened substantially in Q4 as **tumbling average user spend** hurt trading. The digital broker may be forced to **expand its offerings** to limit future

losses.

- **Q4 pretax losses widened to \$420 million**, compared with a mere \$19 million a year before.
- **Average revenues per user slumped 39%** year over year (YoY) to \$64. Robinhood blamed the decline on lower trading volumes for options and equities.
- Despite the troubling bottom-line performance, **net revenues increased 14% to \$363 million** for Q4 and 89% to \$1.82 billion for the year.

How we got here: The pandemic led to a **flood of new investors** in the stock market. Roughly 15% of retail investors in early 2021 traded for the first time in 2020, per a Charles Schwab [survey](#).

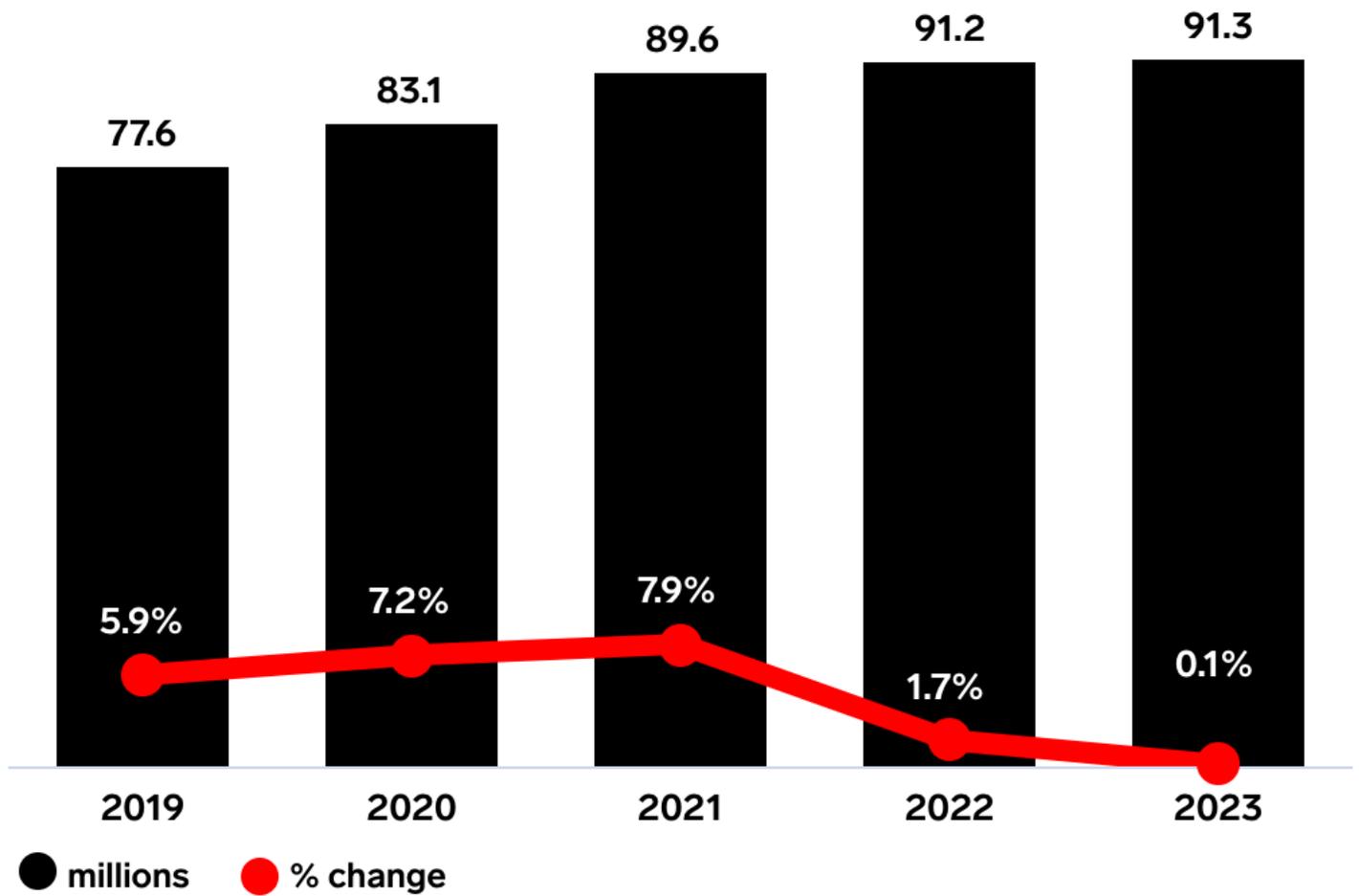
- The retail investing boom was fueled by stronger personal savings during the pandemic and greater market volatility.
- The [GameStop](#) stock saga in early 2021 and emergence of other “meme stocks” then prolonged the investment craze for commission-free trading apps like **eToro**, **ZuluTrade**, and **Robinhood**.

What now? Robinhood's deepening losses are emblematic of the broader industry: Other publicly listed digital brokers, like eToro and Coinbase, have also posted disappointing results amid a slowdown in investor enthusiasm.

- We [predict](#) trading apps will increasingly look for novel ways to benefit from cryptos to reverse falling trading volumes. Robinhood, for example, said in its earnings that it will roll out a **crypto wallet** in Q1 2022 that would let users directly hold and receive cryptos without having to convert them into fiat currency, potentially encouraging greater trading volume.
- Adding **long-term investing options** can also maintain user numbers and attract new customers. Robinhood said it will offer retirement accounts by mid-year.
- And incorporating **social media elements** into trading platforms is [crucial](#) to lifting engagement and trading volume.
- Brokers must also offer a **wider range of assets to trade**, creating a more unified trading experience for users and limiting attrition to competitors' platforms: Earlier this month, [eToro](#) launched a themed premium portfolio that gives investors long-term exposure to stocks and crypto assets within the metaverse industry.

Digital Brokerage Users

US, 2019-2023



Source: eMarketer, September 2021

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