

Digital brokers expand offerings to revive retail investor buzz

Article

The news: Feeling the squeeze from dwindling retail investor activity, digital brokers are branching out to keep customers engaged.

- UK-based investment app **Lightyear** launched a new social investing feature called “profiles” in the UK and the EU. Profiles let users share personalized web pages showing their portfolio holdings, watchlists, and recent trades.

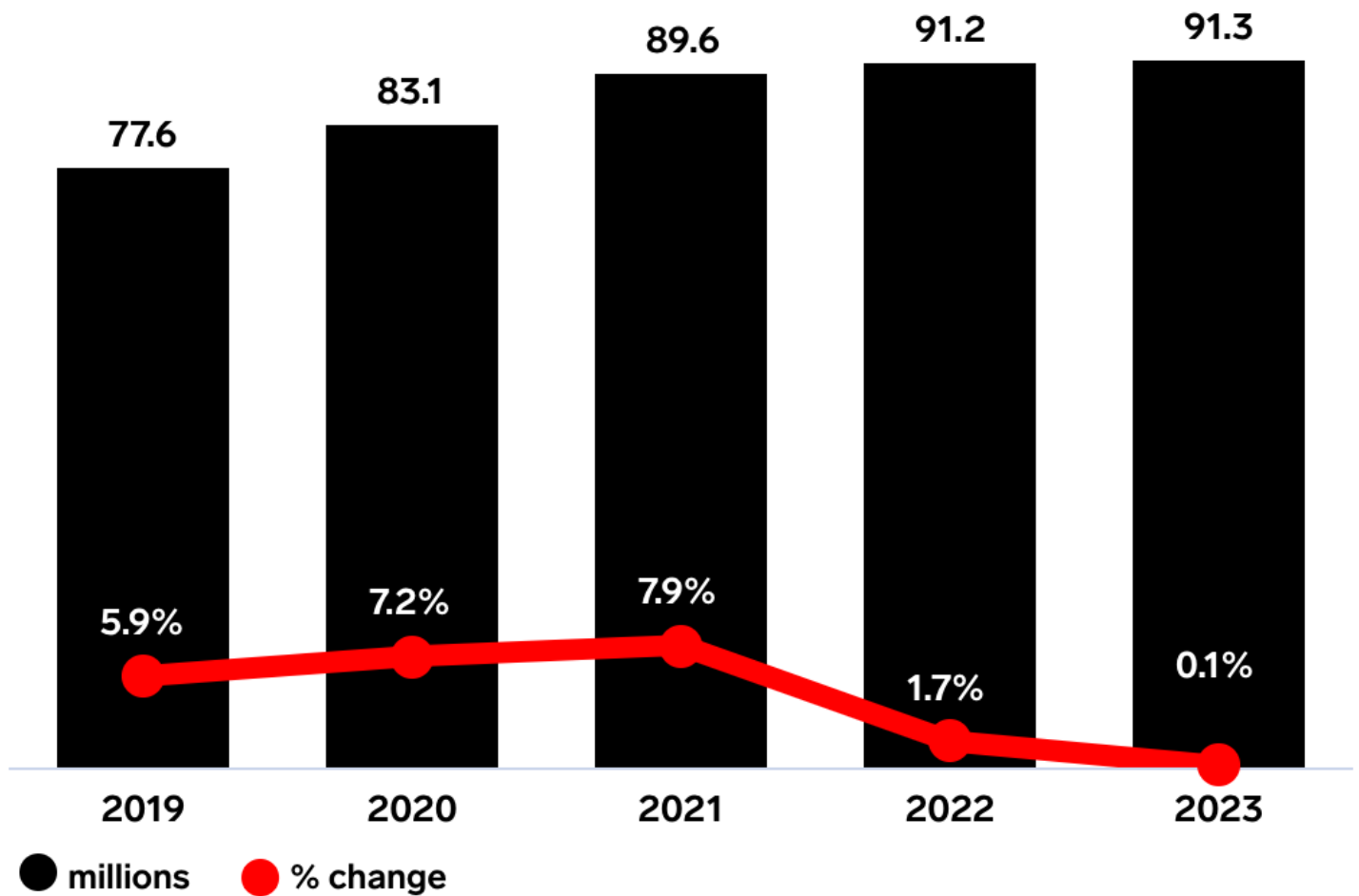
- **DriveWealth** is expanding into crypto. The New Jersey-based API brokerage platform acquired **Crypto-Systems** so it can offer Bitcoin and Ethereum trading to partners and retail investors.

The bigger picture: Overall trading volume has **slowed** for digital brokers due to thinning investor savings and a crowded marketplace that already includes industry heavyweights **eToro, Robinhood, and Vanguard**. Market participation by retail traders **fell to around 18%** at the end of January, after reaching 24% in the first quarter of 2021.

- Incorporating **social media elements** into trading platforms is **crucial** to **lifting engagement and trading volume** without provoking the ire of regulators through gamification.
- **Lightyear** isn't the only one adding social elements to its app: **eToro** and **ZuluTrade** both let users discuss and share trade ideas and copy the trades of influencers.
- Brokers are also betting on **cryptos** to **reverse falling trading volumes** among retail investors. Last week, **Robinhood** said it will roll out a crypto wallet in Q1 2022 that will let users directly hold and receive cryptos without having to convert them into fiat currency, potentially encouraging greater trading volume.
- **DriveWealth** said expanding into cryptos was **driven by customer demand**. Founder and CEO Bob Cortright noted that "no other asset class translates to notional investing the way cryptocurrencies do."

Digital Brokerage Users

US, 2019-2023



Source: eMarketer, September 2021

InsiderIntelligence.com

The big takeaway: Digital brokers are increasingly looking for **novel ways to boost revenues** and differentiate their product offerings from rivals to sustain growth. **Incorporating social elements and crypto trading** are two paths digital brokers may take, but other strategic options may also be pursued.

- For example, [eToro](#) added a **decentralized finance (DeFi) portfolio** in September comprising 11 DeFi crypto entities, including Ether, Uniswap, and Chainlink.
- Other options include launching **IPO investing offerings** or **long-term investments**.

- Even so, it's unclear whether these strategies will plug the revenue gap for firms left by the day-trading frenzy drying up.