

Sharedealing - UK - October 2009

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What is this report about?

This report examines the key developments taking place in the highly competitive shareholding and online investing market. As well as highlighting the key demographic, economic, and regulatory developments, opportunities for growth are also identified.

What have we found out?

- Over 10 million consumers identify friends and family as an important source of investment related advice. Offering existing clients free trades or extra cash to refer new clients could help boost Sharedealing provider's revenues.
- Despite the progressive decline in the cost of trading it appears that costs need to be lowered even further to encourage more people, particularly those from younger age groups, to invest in the stockmarket. The equivalent of 13 million potential investors still identify the lack of affordability as a key issue preventing them from investing in the stockmarket.
- Independent stockbroking firms could be working more closely with banks and building societies to increase account numbers and gain a high street presence. This way relevant banks and building societies can focus on their core business instead of wasting resources on uncompetitive sharedealing services.
- Of the 5.36 million people who reported they own individual shares over half are likely to have acquired them via the demutualization of building society. There may be opportunities to get these so called 'passive' shareholders to become more active investors.
- The potential for a long-term slow growth environment on the stockmarket will make picking winning shares more difficult but should also increase demand for advice. Full service brokers and other intermediaries that can help clients identify the winners in a tough market are likely to prosper.
- Over the past few years there has been a significant rise in so called 'Social-investing' websites which aim to create an online information community for retail investors. Incorporating an element of social-networking into a brokerage's product offering, like Zecco.com has done in the US, could help encourage more young people to open accounts.

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