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The personal site of Australian research analyst & strategist Alex Burns

4th March 2010: Macquarie Edge

By [Alex Burns](#) on March 4, 2010 10:03 PM | [Permalink](#) | [Comments \(0\)](#) | [TrackBacks \(0\)](#)

'Pair of hands' project finishes: debriefs for process improvements and advice provision.

Tonight, I attended a [Melbourne Business School](#) (MBS) talk on the changing investment landscape. In reality, it was a case study and walkthrough of Macquarie Group's online retail trading platform [Macquarie Edge](#), with speaker [James Leplaw](#), head of Direct Investing at Macquarie Direct. The talk was far more than a sales pitch though, due to the Leplaw's candour and willingness to talk about the decision traps and execution mistakes.

Some highlights from Leplaw's talk and vibrant Q&A session:

1. Prototype Platform Failure: Leplaw and a top trader with 25 years experience conceived a prototype platform: a blank screen with movable widgets and components. Their 'make or buy' decision was to outsource production, hire a web development company for \$A100k+ and have a 60-90 day timeline. The prototype 'bombed' during beta testing: no-one had asked customers and end-users what they really wanted.

This revelation stunned several audience members. After a decade of online broker competitors, and in a mature market, how was this decision financially justifiable? Why were client needs not identified at the outset? Some audience members felt the prototype likely wasted several hundred thousand dollars worth of investment capital and management time.

2. Agile Development and User Personas: Macquarie's project team ended up being 8-12 people, including developers, testers, and user experience specialists. Leplaw and the development team regrouped and decided to gather feedback from customers and end-users. To do so, they developed user personas like 'George', a midlife retail investor, to articulate what the platform might do. In an agile development process, the team used [Vignette](#) for content management and [Drools](#) open source software for a business rules engine. The team made decisions on what not to focus on: retail investors would not be high-frequency traders that wanted mobile applications, nor would the platform deeply integrate with other institutions, beyond data export tools. The platform would also initially focus only on ASX equities rather than international markets. Leplaw revealed that features currently in-development include a margin-lending tool for derivatives and warrants, and co-integration with the [Macquarie Prime](#) software for active investors and day traders.

3. Market Justification: [Investment Trends](#) forecasts Australia's online brokerage market to grow from 525,000 clients to 600,000 clients over the next 12 months; in a domestic market of 2 million investors. Clients are defined as investors who have made at least one trade in the past 12 months and who intend to make another in the next 12 months. At least 100,000 of these clients are dissatisfied with their current provider. Investment Trends' custom research is described [here](#). For Macquarie Edge, client conversion rates are: 30-40% of site visitors become registered members, and 5-10% of members become full-service clients.

Macquarie Edge thus targets new investors, dissatisfied clients who will switch, and a growth strategy that relies on mature market momentum. The platform also provides an on-ramp to Macquarie's research, stockbroking and wealth management services.

The views in the MBS lecture theatre were mixed about this. Some audience members felt that Macquarie was a late entrant to a market dominated by the major retail banks and specialist online brokerage firms. Others felt the limitations above meant that the target market segment was actually quite narrow, compared with [Commsec](#) and [ETrade](#), which allowed Wall Street trading. [Google Finance](#) offered some similar features for stock watchlists and market technical analysis; what differentiated Macquarie Edge was its integration with Macquarie's research analysis, in which finance editors rewrote 20-30 page investor briefings into 'actionable' 1-page summaries for retail investors.

4. Career Advice: James Leplaw gave some great, succinct advice: Be able to articulate how you can add value to a company and what differentiates you from other applicants. Tap the 'hidden' job market. Hire a search agent who has knowledge and expertise in the sector you are looking at. Identify what experience and skills you have that are transferrable or portable across different industries and knowledge domains. Look for a manager who seeks to diversify their team with different talent, from another industry

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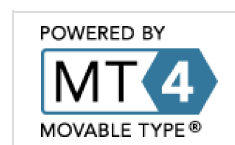
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or context. HR managers often make the mistake of hiring people who have followed the traditional pathway --- a business undergraduate degree and bank/finance institutional experience --- and then wonder why the employees have the same kind of thinking as existing team members.

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