Brokerage battle yields new deals for savvy investors

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As online broking leader Commsec prepares to overhaul its product offering, rivals hungry for market share are adding to their sites.

The popularity of online broking has intensified since the credit crisis as a flood of retail investors, disillusioned with full-service brokers, adopt the do-it-yourself approach.

While the shift from full service to online broking is tailing off as confidence returns, competition between online providers remains stiff.

Major banks have the advantage of a huge customer base. Trading platforms associated with the big four have more than a collective 80 per cent share of the market.

What clients want

- CMC Markets have cut prices to $9.90 a trade.
- Westpac is considering bundling online broking with other products.
- CommSec is overhauling its site for easier navigation.
- One-second execution trades considered a drawcard.
- Markets "insights" blog introduced on top-400 stocks

Yet smaller players such as Macquarie Edge, Bell Direct and CMC Markets are carving out their niches by undercutting on price or offering unique features.

CMC Markets undercut the sector late last year, offering a $9.90 brokerage rate, while E*Trade promptly dropped its $32.95 rate to match CommSec 's $19.95 price.

But price is only one part of the broker-choice equation. Features, convenience and reliability are equally important.

CMC Markets head of distribution and co-head Australia Louis Cooper says: "We are about attracting the active trader community and have had a 300 per cent uplift in account numbers month on month [since cutting brokerage rates last July]. But cheaper brokerage rates are only a small part of our offering."

He points to free dynamic charting, one-second execution trades and other trading tools.

CMC Markets is about to launch a markets blog which offers trading insights on the top-400 stocks.

"We're moving heavily into the social media space and want to give added value to clients," Cooper says. He notes recent Investment Trends research shows the importance of research tools to online investors.

While CMC does not have the option of tapping into a large existing client base like the major banks, Cooper said its smaller size provided flexibility.

"We don't have the red tape of bigger competitors and we're looking to introduce tools for advanced traders and listening to client needs," he says

Westpac head of online trading James Staltari says the broker aims to double its 10 per cent market share within three years to overtake second-ranked E*Trade.

"We aim to lift share by attracting new customers as well as the next wave of investors from Westpac," he says.

"We will broaden our product range and integrate our trading platform with other Westpac sites, [as there isn't a single log-on for our sites now, and look to bundle our offering with other Westpac products."

Westpac charges $24.95 per trade or 0.1 per cent for larger trades.

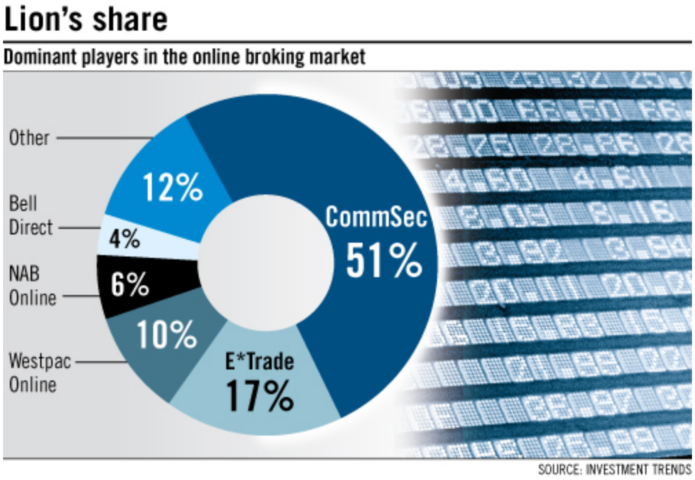
Staltari says the broker will not necessarily have to cut its brokerage rates to match Commsec and E*Trade to gain greater share.

"Our research shows price is not the single determinant but features and functionality are important, so our focus is on our product suite," he says.

"Other competitors are playing on price and we don't discount the extent to which that will continue."

Commsec general manager of retail distribution Brian Phelps recently said the broker would upgrade its research and information offering this year. CommSec's website will also be overhauled to ease user navigation.

E*Trade does not plan to release upgrades or products this year. Head of retail Matt Loughnan reported a spike in client growth late last year after the broker dropped its rates to $19.95.



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