

News

SMALL AND LOW-COST BROKERS MAKE PRESENCE FELT

By [Chris Kennedy](#) on 18 March 2011 0 comments

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Smaller and lower-cost brokers were responsible for increased competition in the online broking space in the second half of 2010, according to [Investment Trends](#) research.



Newer entrants such as [CMC Markets](#) and [Bell Direct](#) strengthened their positions considerably, although established brokers [CommSec](#) and [E*TRADE](#) continued to dominate the market, according to Investment Trends senior analyst Pawel Rokicki.

The overall market came off the boil somewhat, with many investors waiting for the market to take a clearer direction, he added.

The Investment Trends Online Broking Report surveyed 6,069 active share traders in November and December last year, and found that market leader CommSec slipped from 51 per cent of active traders to 48 per cent, with E*TRADE in second place, holding 18 per cent of primary broking relationships.

Nine per cent of new traders chose Bell Direct as their primary broker, which overtook NAB OnLine Trading to rank equal third among frequent traders as primary broker.

CMC Markets attracted 7 per cent of new clients, although it currently commanded just 3 per cent total market share.


The smaller brokers are also competing strongly on customer service and client satisfaction, Rokicki said.

"In our survey, CMC Markets, Bell Direct and [netwealth](#) ranked highest for overall quality of service, although E*TRADE leads in the area of tax reporting and CommSec continues to be seen as the overall market leader," he said.

The broking market overall shrunk in the second half of last year, decreasing by 40,000 active online traders to 610,000, although there were 27,000 new entrants in that period, the report found.

The outlook for the industry remains strong, however, with 38 per cent of traders more confident about the market than a year ago and 68 per cent of current traders disagreeing that the market is overvalued.

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