

What useful extras do online brokers offer?

Gayle Bryant

Regular surveys by research firms show that the main reasons traders choose particular online brokers include ease of use, low brokerage and reputation. But your choice of online broker also depends largely on the type of trader you are.

Are you casual, active or trader?

Canstar Cannex categorises investors as casual (average of 10 trades a year), active (60 trades), and trader (480). Canstar Cannex financial analyst Mitchell Watson says casual traders are cautious investors and avid researchers and want more education, research materials and guidance from a share-trading platform.

“New traders are likely to need a broker that offers a lot of educational tools,” he says. “They will also probably want one where the entry levels don’t restrict them from trading more frequently.”

He says active investors usually trade in their free time and value both technical and fundamental analysis, while traders want the best technical analysis from a dynamic trading platform and “use all the bells and whistles in their attempts to trade their way to wealth”.

Fees, fees and fees

Brokerage fees remain a big differentiator, according to Watson. “When CMC reduced its rate to \$9.90 it blew its competitors out of the water,” he says. [CMC Markets reduced its brokerage fee in late 2011 from \$19.95 to \$9.90 for trades up to \$9900.] “Educational tools are also important to online traders – anything that is going to assist people making trading decisions that they are comfortable with.”

Researcher Investment Trends also produces a regular survey on the online broking sector. Its senior analyst Pawel Rokicki says he is finding more people are likely to shop around.

“Trading from mobile devices and access to international shares are growing, although from a small base and particularly among frequent traders,” he says. “Not many people end up trading internationally though, so it is more of a ‘hygiene factor’ – something that needs to be on a list when choosing a broker.”

Fickle consumers

Rokicki says that as of late 2010, the importance of price when choosing a broker was on the rise. “Now, six months down the track, the dust has probably settled a little so it will be interesting to see how that’s changed. What we also noticed in the last survey was a correlation between awareness of low-cost brokers and satisfaction levels for the big guys. CommSec and E*Trade’s clients who were aware of Bell or CMC tended to be less happy with their broker.”

Rokicki says there is some decline in linkages to other accounts as a selection driver. “People are more likely to shop around and look outside of their main bank’s broking offer,” he says. “In the list of desired improvements, access to research was ranked second highest (behind fees) with 43 per cent of clients wanting more research, while 40 per cent want to see more trading tips, indicating a strong demand for a better research offering.”

The international dimension

He adds that more than one in four respondents said they wanted greater access to international shares. “Again there is demand but cost has been a major barrier to usage,” Rokicki says. “However, there is an interesting development in the international space. RBS and CommSec have launched exchange-traded international securities, which are like ETFs on individual stocks and provide a cost-effective alternative to the traditional form on international trading.”

Geoff Sawyer, managing director of City Index, says the key thing traders are seeking is a competitive price.



A close look ... new traders like lots of educational tools. **Peter Braig**

Key points

- Casual traders are cautious investors and avid researchers, and they want more education, research materials and guidance from a share-trading platform
- Active investors usually trade in their free time and they value both technical and fundamental analysis
- Traders want the best technical analysis from a dynamic trading platform, and use all the bells and whistles in their attempts to trade their way to wealth
- More than one in four respondents wants greater access to international shares.

"Having a low cost to markets is key," he says.

"We offer a flat rate of \$10 to trade Australian shares of any size trade so customers don't have to worry about the cost." He says with active traders, keeping costs low is key to their profitability as it means they can trade more.

Meanwhile, Westpac's head of online trading, James Staltari, says while price is a consideration it is not the No. 1 factor. "It is the breadth or the range of products and services that is key," he says.

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