

[Methodology](#)

[Online Investing Report: Update](#)

[Online Investing: Market Size and Growth](#)

[Abundant Options: Choosing Channels and Financial-Service Firms](#)

[The Interactive Investing Customer](#)

[Online Investing: Costs & Value](#)

[Financial-Service Technology Investments](#)

[Global Online Investing](#)

[Appendices](#)

## A. Online Investing: Market Fundamentals

Even with all the damage incurred by the online investing market, it has failed to fade-out like some deliver-frozen-peas-to-your-door, dot-com fad. In fact, investing fits into the online commerce profile perhaps better than does any other industry—a pure exchange of information, done at lightning speed, with access from virtually anywhere. No UPS trucks needed for fulfillment, as with an Amazon.com; no seven-day counts to possible winning bids, as with an eBay.com; not even a laggard daily updated balance, as (in many cases) with your-local-bank.com.

**“There’s nothing a customer has to see or feel.”**

—Michael Hodes, analyst, Goldman, Sachs

The importance of real-time quotes, fast trade execution, and diversified portfolios are just the tip of the mountain. The wealth of financial news, quotes, and advice available on the internet—and pervading the media world in general—help make online trading a permanent change in the financial-service landscape. The continued growth both of the internet and self-directed retirement plans, such as 401(k)s, also contribute to online investing putting down deep roots. In fact, “the brokerage business adapted to the internet faster than any other arm of finance,” according to *Business Week*, “with internet brokers grabbing 45% of the New York Stock Exchange and Nasdaq trades by early 2000.” However, online brokers today claim only a 22% slice of that two-exchange trading pie. The message is mixed.

[Methodology](#)

[Online Investing Report: Update](#)

[Online Investing: Market Size and Growth](#)

[Abundant Options: Choosing Channels and Financial-Service Firms](#)

[The Interactive Investing Customer](#)

[Online Investing: Costs & Value](#)

[Financial-Service Technology Investments](#)

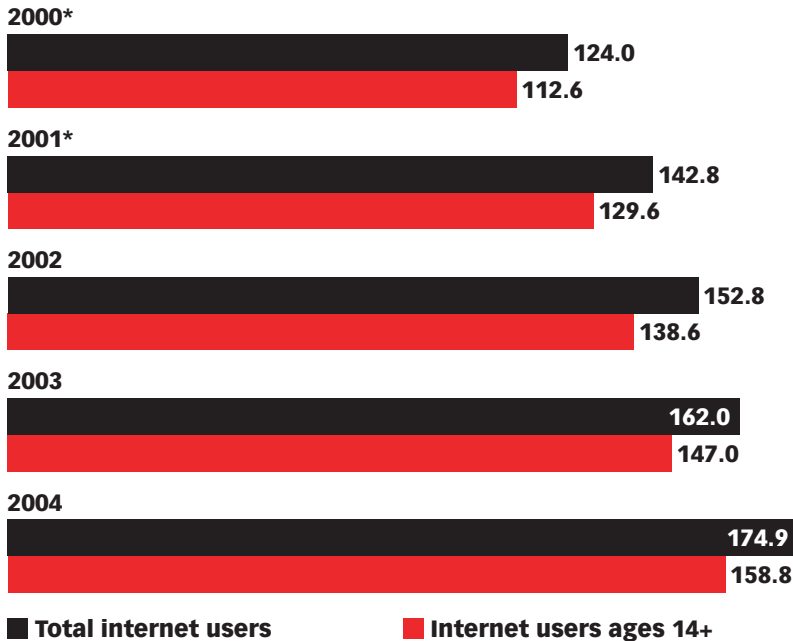
[Global Online Investing](#)

[Appendices](#)

## Internet Growth Curve

One basic element behind the now slow, but continued upswing of online investing comes from the rapid growth among internet users. By 2004, nearly 159 million Americans ages 14-or-older will be going online.

### Total US Internet Users and Internet Users Ages 14+, 2000-2004 (in millions)



*Note: \*eMarketer's year 2000 and 2001 baselines are from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days; the age 14+ group represents roughly 90.75% of all US users according to the August 2000 US Department of Commerce survey*  
 Source: eMarketer, May 2002

[Methodology](#)

[Online Investing Report: Update](#)

[Online Investing: Market Size and Growth](#)

[Abundant Options: Choosing Channels and Financial-Service Firms](#)

[The Interactive Investing Customer](#)

[Online Investing: Costs & Value](#)

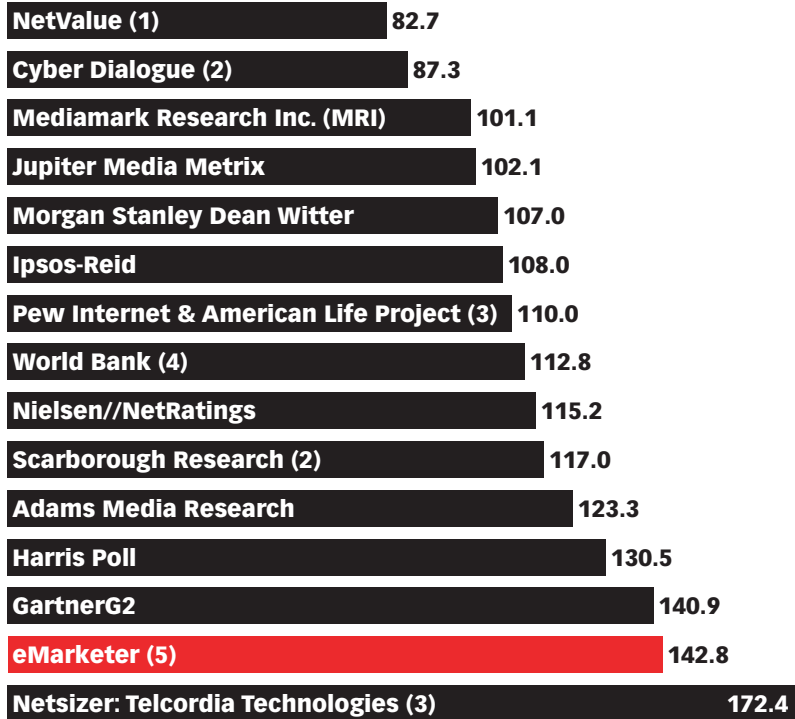
[Financial-Service Technology Investments](#)

[Global Online Investing](#)

[Appendices](#)

Comparative estimates for last year alone show substantial penetration of internet users in the US, with nine figures of 110 million or more for the user base.

**Comparative Estimates: Internet Users in the US, 2001 (in millions)**



*Note: (1) home internet usage only; (2) internet users 18+ who access the internet at least once in a 30-day period; (3) internet users who have ever used or currently use the internet; (4) have internet access; (5) eMarketer's year 2001 baseline is from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days*  
 Source: eMarketer, various, as noted, 2001

039680 ©2002 eMarketer, Inc.

[www.eMarketer.com](http://www.eMarketer.com)

[Methodology](#)

[Online Investing Report: Update](#)

[Online Investing: Market Size and Growth](#)

[Abundant Options: Choosing Channels and Financial-Service Firms](#)

**[The Interactive Investing Customer](#)**

[Online Investing: Costs & Value](#)

[Financial-Service Technology Investments](#)

[Global Online Investing](#)

[Appendices](#)

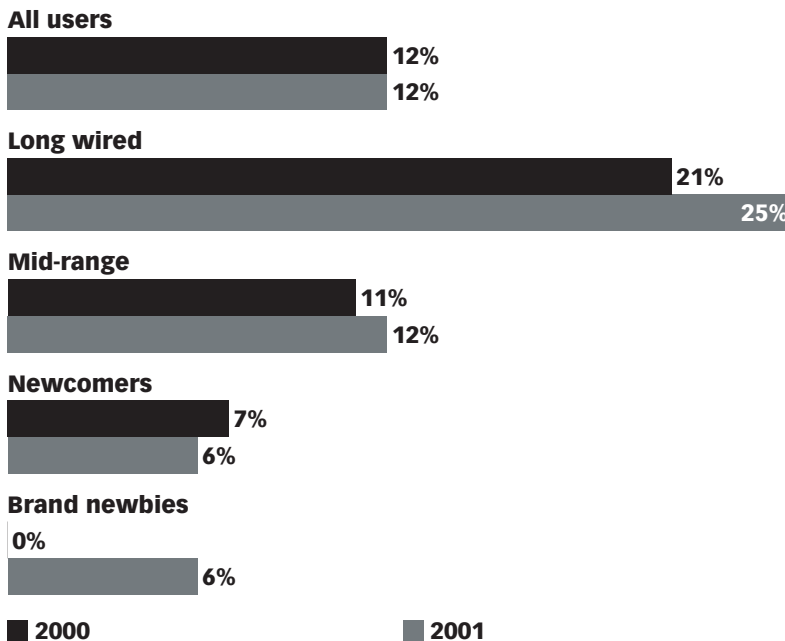
Who invests online? As the whole concept of internet commerce turns from fad into basic necessity, you'll find that he or she is older, wealthier, and more internet savvy than the average American. You'll also find more men than women. In order to best target them, brokers and other financial-service firms need to give them the services they demand and allay their concerns.

## A. The Basics: Demographics & Dollars

Based on Pew's estimate of 110 million US internet users in 2001, 13.2 million Americans have bought or sold stocks online. The largest growth among those who have traded stocks online comes where you might expect it—from the more experienced internet user (called the "long-wired" by Pew, and defined as being online for 3 or more years). Even with 2001's market downturn, this segment of long-time users increased by 4 percentage points, up to 25%.

An investing decrease among newcomers—nervous enough to start with by the internet itself, and then even more scared by market fluctuations—balances the increase in online investing among experienced users. That makes the percentage of all users who trade online stable at 12% from 2000 to 2001.

### US Internet Users Who Have Bought or Sold Stocks Online, 2000-2001 (as a % of respondents)



*Note: Long-wired defined as online more than 3 years; mid-range defined as online 2-3 years; newcomers defined as online 1 year in 2000; brand newbies defined as came online between 2000 and 2001; n=862 for March 2001; n=723 for March 2000*  
 Source: Pew Internet & American Life Project, March 2002

[Methodology](#)

[Online Investing Report: Update](#)

[Online Investing: Market Size and Growth](#)

[Abundant Options: Choosing Channels and Financial-Service Firms](#)

**[The Interactive Investing Customer](#)**

[Online Investing: Costs & Value](#)

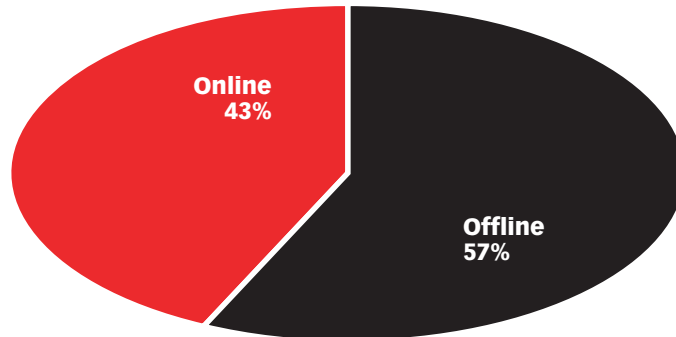
[Financial-Service Technology Investments](#)

[Global Online Investing](#)

[Appendices](#)

Among US households that trade securities, those who do at least some portion of their investing online is moving up, according to IDC research. As of last November, 43% of investing households trade online.

### US Households with Brokerage Accounts: Online vs. Offline, 2001



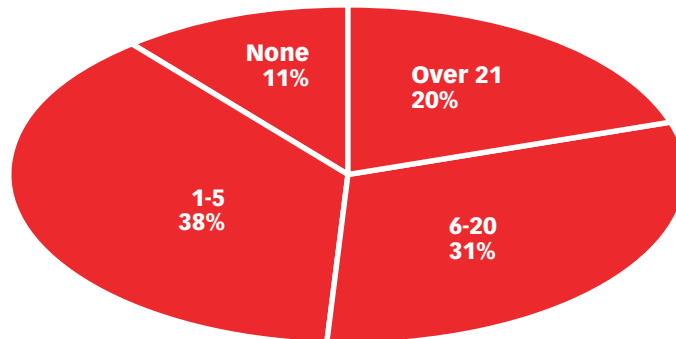
Source: International Data Corporation (IDC), November 2001

035454 ©2002 eMarketer, Inc.

[www.eMarketer.com](http://www.eMarketer.com)

And among those online US households with brokerage accounts, a slim majority of 51% initiate 6 or more trades each year. Even so, with 20% making 21 or more trades per year, the possible profit margins for online brokerages are more supportable.

### Annual Trading Activity of US Households with Online Brokerage Accounts, by Number of Transactions per Year, 2001



Source: International Data Corporation (IDC), November 2001

035455 ©2002 eMarketer, Inc.

[www.eMarketer.com](http://www.eMarketer.com)