

Online Brokerage Firms Struggle to Build Loyalty among Pandemic-Era Investors, J.D. Power Finds

Younger, Financially Vulnerable Clients Experience More Problems, Pose Significant Attrition Risk

TROY, Mich.: 26 April 2022 — The honeymoon may be coming to an end for the tens of millions of new do-it-yourself (DIY) investors who flocked to do-it-yourself retail brokerage firms during the past few years. According to the J.D. Power 2022 U.S. Self-Directed Investor Satisfaction Study,SM released today, pandemic-era investors who have opened accounts during the past three years are experiencing significantly more problems with their accounts and lower levels of customer satisfaction, resulting in brand loyalty scores that are less than half those of more tenured clients.

“Pandemic-era investors who entered the financial markets during a real gold rush period of heightened expectations, significant disruption and extreme volatility represent a unique set of challenges for retail brokerage firms,” said **Michael Foy, senior director and head of wealth intelligence at J.D. Power**. “First, they constitute a huge segment, which has accounted for about 25 million new accounts since 2020. They also tend to be younger, less financially secure and more apt to experience problems that are not currently being addressed effectively by their brokerage firms. Right now, most firms are missing the mark when it comes to delivering the level of tailored customer experience that will help them convert this next generation of investors into loyal and profitable clients.”

Following are key findings of the 2022 study:

- **Pandemic-era investors experience more problems—and less resolution:** Newer investors who opened accounts during the past three years are more likely than more tenured investors to experience problems, with website malfunctions and issues processing transactions being the most prevalent. Nearly one in five (19%) pandemic-era investors experienced problems within the past year, compared with 13% among more tenured investors. Among newer investors, just 84% of those problems were resolved vs. 92% among tenured investors.
- **Brand loyalty of pandemic-era investors less than half that of more seasoned clients:** Pandemic-era investors are more than twice as likely to switch brokerage firms than are investors who’ve had their accounts for three or more years. Just 24% of pandemic-era investors say they definitely will not switch providers, which is down 11 percentage points from a year ago. Among more tenured investors, 50% say they definitely will not switch providers. Primary drivers of attrition risk include lack of satisfaction with products, services and tools and recommendations from friends and relatives to switch providers.
- **Financial health plays significant role in pandemic-era investor sentiment:** Just 39% of pandemic-era investors can be classified as financially healthy, compared with 72% among more tenured investors. Specific financial vulnerabilities observed in this pandemic-era segment include challenges paying bills on time, difficulty managing debt and availability of sufficient savings to cover six months or more of living expenses. Additionally, satisfaction with their brokerage firm is significantly lower among financially vulnerable clients, suggesting firms need to do a better job of delivering content, tools and services that can help clients more effectively manage investments in the context of their overall financial lives.

- **Hybrid offerings not resonating with investors:** In addition to DIY investors, the study also explores those investors who—while not working with a traditional dedicated financial advisor—do interact with their firm’s financial professionals for advice (e.g., through a call center-based pool of advisors). While the industry has been focused on how to make this scalable advice model work for the very large mass affluent market that is often not an ideal fit for a full-service advisor, average satisfaction among this segment currently is lower (708) than among either DIY (720) or full-service (744) investors. This suggests that the promise of this model has not yet been widely realized.

“With trading fees no longer being a significant revenue driver, the big opportunity for retail brokerage firms is creating loyal clients who will deepen their relationships to include revenue-generating services that address their broader financial needs for things such as advice, cash management and lending,” Foy said. “Right now, that’s precisely where many firms are dropping the ball. They are struggling to meet their clients where they are at this point in their lives and deliver the type of personalized advice, educational tools and problem-free experiences they need to grow with their firms.”

Study Rankings

T. Rowe Price (768) ranks highest in self-directed investor satisfaction among investors seeking guidance. **Vanguard** (721) ranks second and **Charles Schwab** (719) ranks third.

Vanguard (736) ranks highest in self-directed investor satisfaction among do-it-yourself investors. Charles Schwab (735) ranks second and **Fidelity** (730) ranks third.

The U.S. Self-Directed Investor Satisfaction Study, now in its 20th year, evaluates key satisfaction drivers and firm performance among both investors seeking guidance (those who don’t have a dedicated financial advisor but do have access to interact with a registered investment professional) and true do-it-yourself investors (those who do not interact with professional advisors). The study measures self-directed investors’ satisfaction with their investment firm based on performance in seven factors (in order of importance): trust; digital channels; the ability to manage wealth how and when I want; products and services; value for fees; people; and problem resolution.

The study is based on responses from 4,888 investors who make all their investment decisions without the counsel of a full-service dedicated financial advisor, and was fielded from November 2021 through January 2022.

For more information about the U.S. Self-Directed Investor Satisfaction Study, visit <https://www.jdpower.com/business/resource/us-self-directed-investor-satisfaction-study>.

To view the online press release, please visit <http://www.jdpower.com/pr-id/2022033>.

About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services and data and analytics. A pioneer in the use of big data, artificial intelligence (AI) and algorithmic modeling capabilities to understand consumer behavior, J.D. Power has been delivering incisive industry intelligence on customer interactions with brands and products for more than 50 years. The world’s leading businesses across major industries rely on J.D. Power to guide their customer-facing strategies.

J.D. Power has offices in North America, Europe and Asia Pacific. To learn more about the company's business offerings, visit JDPower.com/business. The J.D. Power auto shopping tool can be found at JDPower.com.

Media Relations Contacts

Geno Effler, J.D. Power; West Coast; 714-621-6224; media.relations@jdpa.com

John Roderick; East Coast; 631-584-2200; john@jroderick.com

About J.D. Power and Advertising/Promotional Rules: www.jdpower.com/business/about-us/press-release-info

#

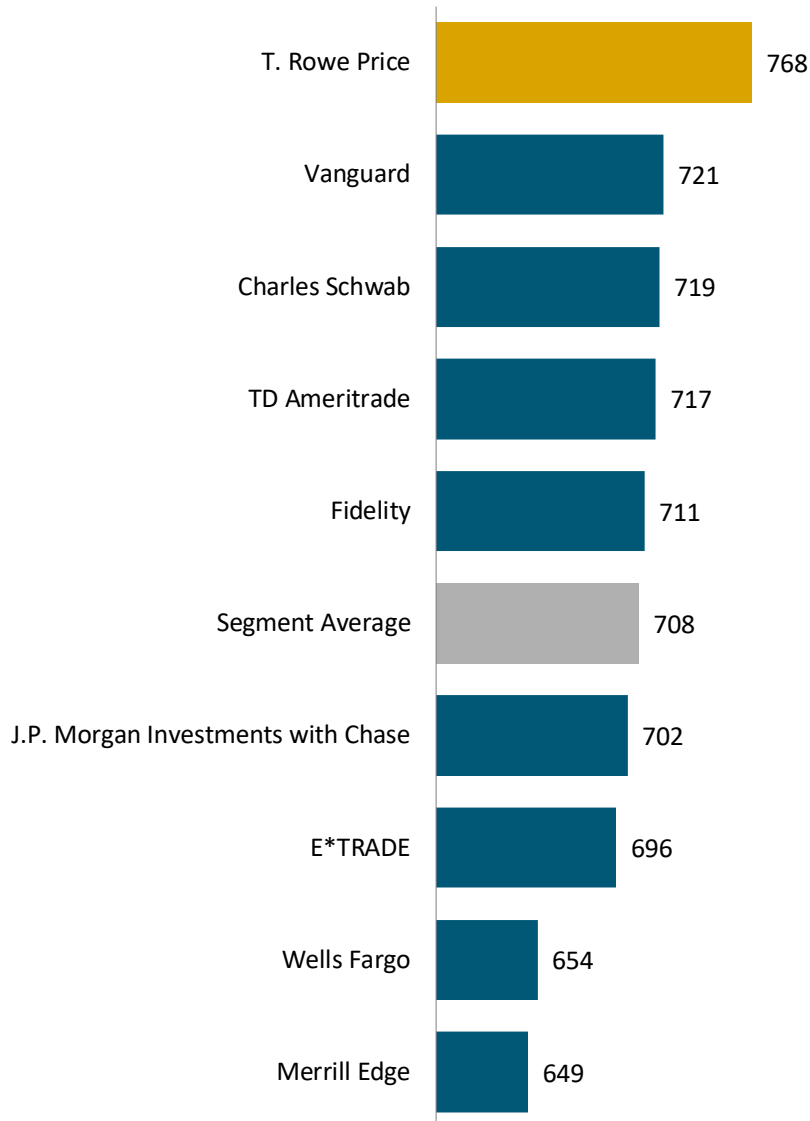
NOTE: Two charts follow.

J.D. Power 2022 U.S. Self-Directed Investor Satisfaction StudySM

Overall Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)

Seeking Guidance



Source: J.D. Power 2022 U.S. Self-Directed Investor Satisfaction StudySM

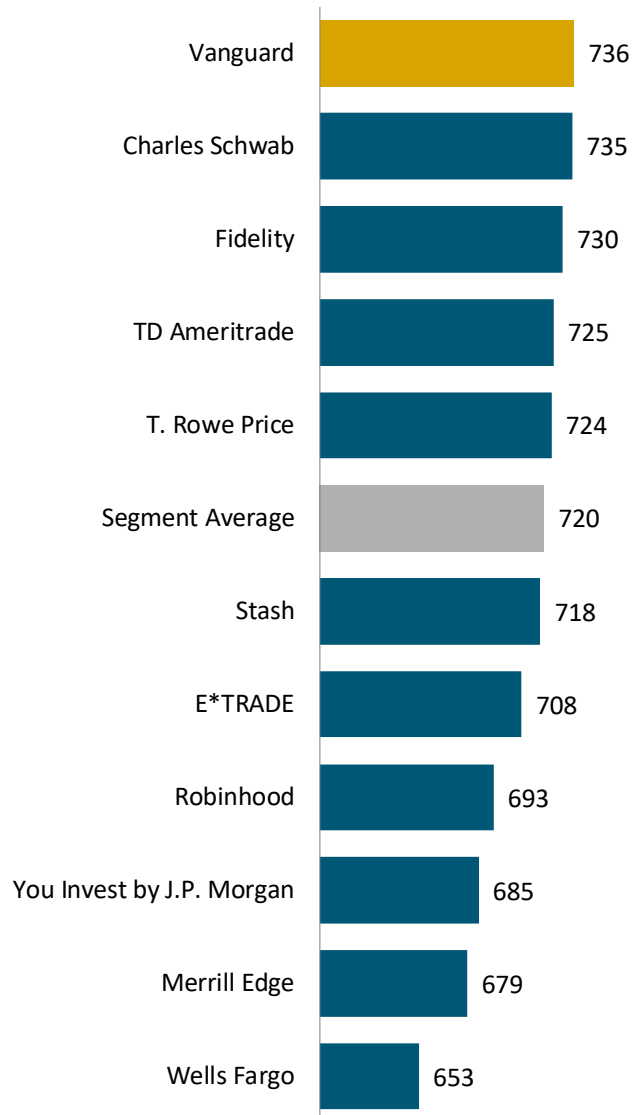
Charts and graphs extracted from this press release for use by the media must be accompanied by a statement identifying J.D. Power as the publisher and the study from which it originated as the source. Rankings are based on numerical scores, and not necessarily on statistical significance. No advertising or other promotional use can be made of the information in this release or J.D. Power survey results without the express prior written consent of J.D. Power.

J.D. Power 2022 U.S. Self-Directed Investor Satisfaction StudySM

Overall Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)

Do-It-Yourself (DIY)



Source: J.D. Power 2022 U.S. Self-Directed Investor Satisfaction StudySM

Charts and graphs extracted from this press release for use by the media must be accompanied by a statement identifying J.D. Power as the publisher and the study from which it originated as the source. Rankings are based on numerical scores, and not necessarily on statistical significance. No advertising or other promotional use can be made of the information in this release or J.D. Power survey results without the express prior written consent of J.D. Power.