

Decrypting consumer behavior and crypto

New currencies and financial formats are attracting a different class of investors to this rapidly evolving space

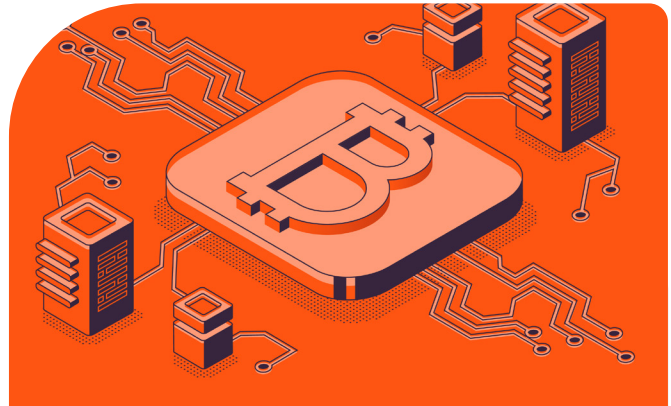


Investors of all ages and means are adopting cryptocurrency exchanges and new kinds of financial services — social media is only part of the story.

In the last year, cryptocurrencies and a new kind of stock brokerage have become increasingly popular, especially among younger men. These new financial products and services could represent a once-in-a-generation challenge (and opportunity) for traditional financial services firms, similar to the rise of online brokerages in the 1990s.

Popular awareness of cryptocurrency has been growing, due to the rise in the value of bitcoin, previously limited to crypto geeks. Normies can now buy bitcoin from PayPal. Crypto.com and FTX are looking to attract new users by advertising in the 2022 Super Bowl, and Crypto.com made headlines in November 2021 when it secured naming rights for the Staples Center in Los Angeles for \$700 million.

Meanwhile, Robinhood has carved out a market among investors by emphasizing zero-commission trading, fractional shares, and options trading. Interest in Robinhood exploded in January 2021, when consumers, driven mainly by users on Reddit, began buying “meme stocks” such as GameStop and AMC. These stocks came to be seen not only as worthwhile investments by media-obsessed young investors, but also as a means to punish short sellers and other perceived Wall Street villains.



In January 2022, the hype serpent began to nibble at its own tail as GameStop announced its plans to develop a marketplace for nonfungible tokens (NFTs) and establish cryptocurrency partnerships. Later in January, Bitcoin lost nearly half its value relative to its high point in November 2021.

Despite the hype, we found evidence that both cryptocurrencies and new financial services meet real underlying needs, particularly among younger investors who may be looking for new ways to think about managing their personal finances and may feel underserved by traditional financial services firms.

Crypto sites and Robinhood experience wild rides of speculation

To understand these new investors, we used DISQO's consumer insights platform to examine the online behaviors of more than 10,000 visitors to cryptocurrency exchanges and Robinhood.

Use of these services has been growing steadily over the last two years. But, recently, their traffic has been driven by social media and speculative bubbles.

Visitors to crypto exchanges steadily increased by 98% between January and November 2020. Then, visitors hit an inflection point and increased rapidly as the price of bitcoin doubled. Visitors reached an all-time high in May 2021, when Elon Musk tweeted about dogecoin. The following month, the price of dogecoin dropped by about half and visitors to crypto exchanges

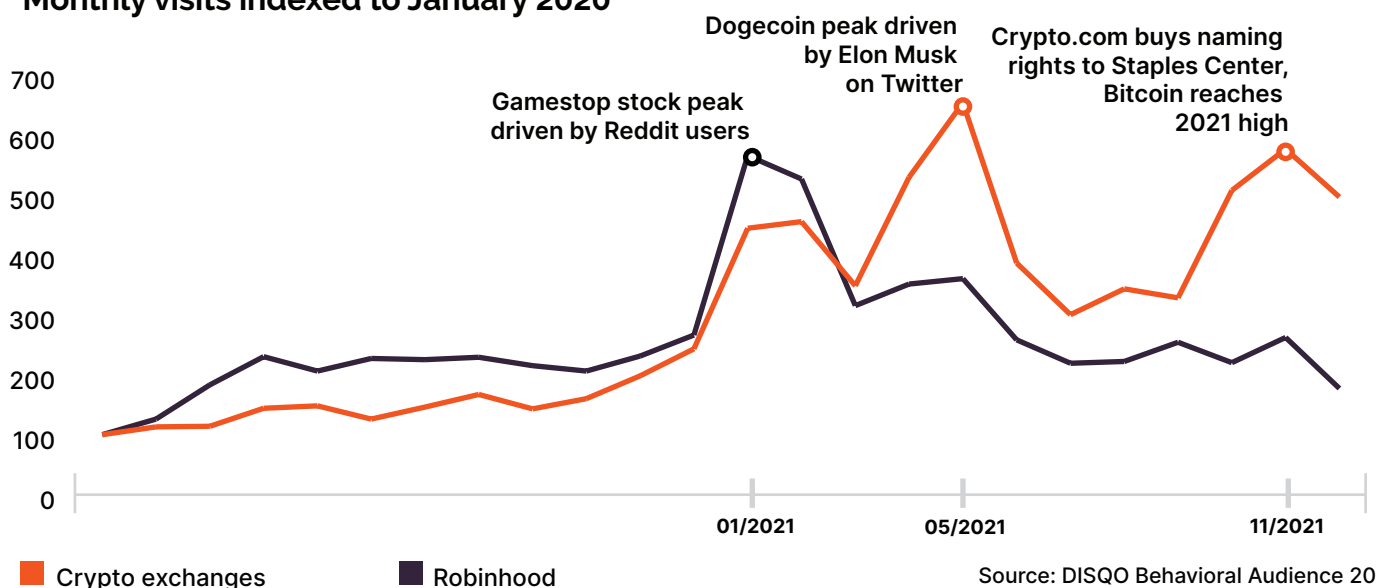
dropped by more than half in June and July. As of November, visitors had still not recovered to their May peak.

In November 2020, the price of Crypto.com's coin (CRO) more than doubled (from \$.39 to \$.95) after the company announced it bought naming rights to the soon-to-be former Staples Center in Los Angeles. In the weeks since then, it has dropped more than 44% from its peak.

Robinhood has experienced a similar wild ride. Between March and December 2020, Robinhood visits by DISQO audience members were flat. Visitors then doubled between November 2020 and January 2021, during Reddit users' attempt to squeeze Gamestop short sellers. Between January 11 and 27, 2021, driven by its status as a "meme stock," the price of Gamestop stock took off, rising from \$20 to \$347.

Cryptocurrency and Robinhood traffic are driven by social media

Monthly visits indexed to January 2020



After Gamestop's stock fell to \$40 in February 2021, Robinhood users returned to their normal level of activity. Since January 2021, GameStop's stock recovered and new meme stocks emerged. Visitors to Robinhood returned to their pre-meme stock level by June 2021, where they have remained for the last six months.

Visitors to these financial services are as volatile as some of the underlying assets they trade in: fashionable cryptocurrencies and troubled meme stocks bought on margin.

Despite the obvious speculative froth, this new class of financial services is clearly meeting the needs of an important segment of the market. In the first eleven months of 2021, 16.1% of users visited a cryptocurrency exchange and 14.1% of them visited Robinhood.com.

This segment could be critical to the future growth for more traditional financial services companies.

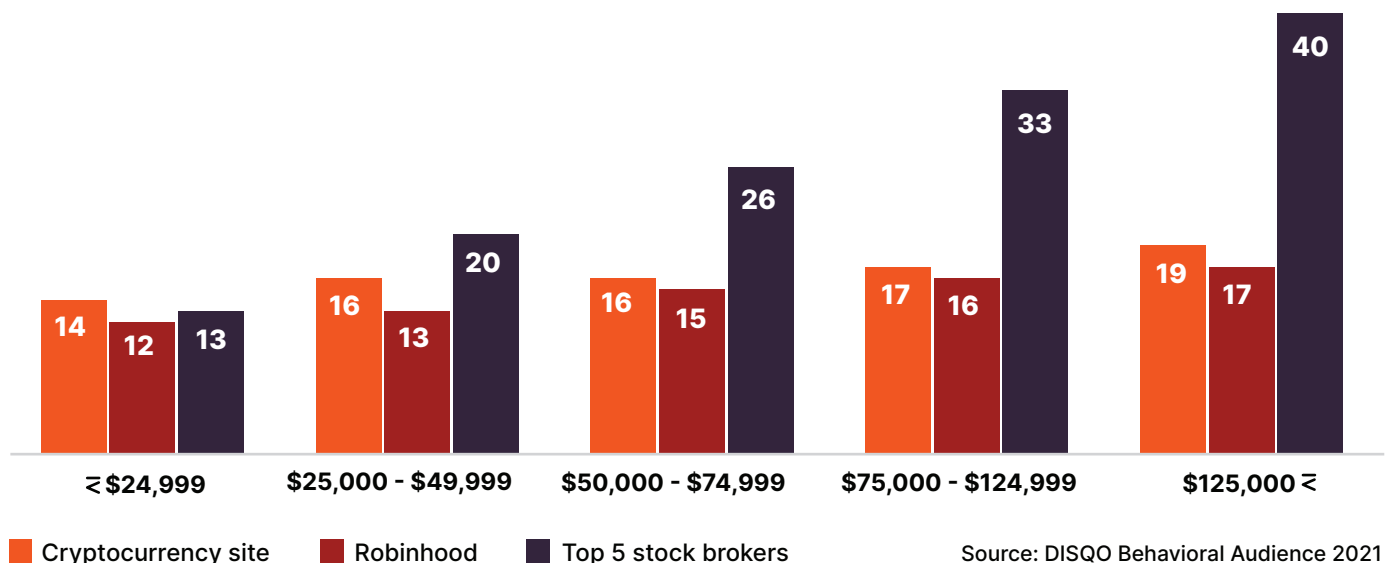
It's not income that drives consumers to cryptocurrency exchanges and Robinhood

What's the potential impact of these new services on traditional financial services? We looked at the demographics of DISQO audience members who visited cryptocurrency exchanges and Robinhood, as well as the websites of the top five traditional brokerage firms (schwab.com, fidelity.com, etrade.com, and tdameritrade.com, edwardjones.com).

In stark contrast to traditional brokers — whose share of internet users increases steadily with income — the share of visitors to cryptocurrency exchanges and Robinhood is stable across income groups.

Crypto, Robinhood use stable across income groups

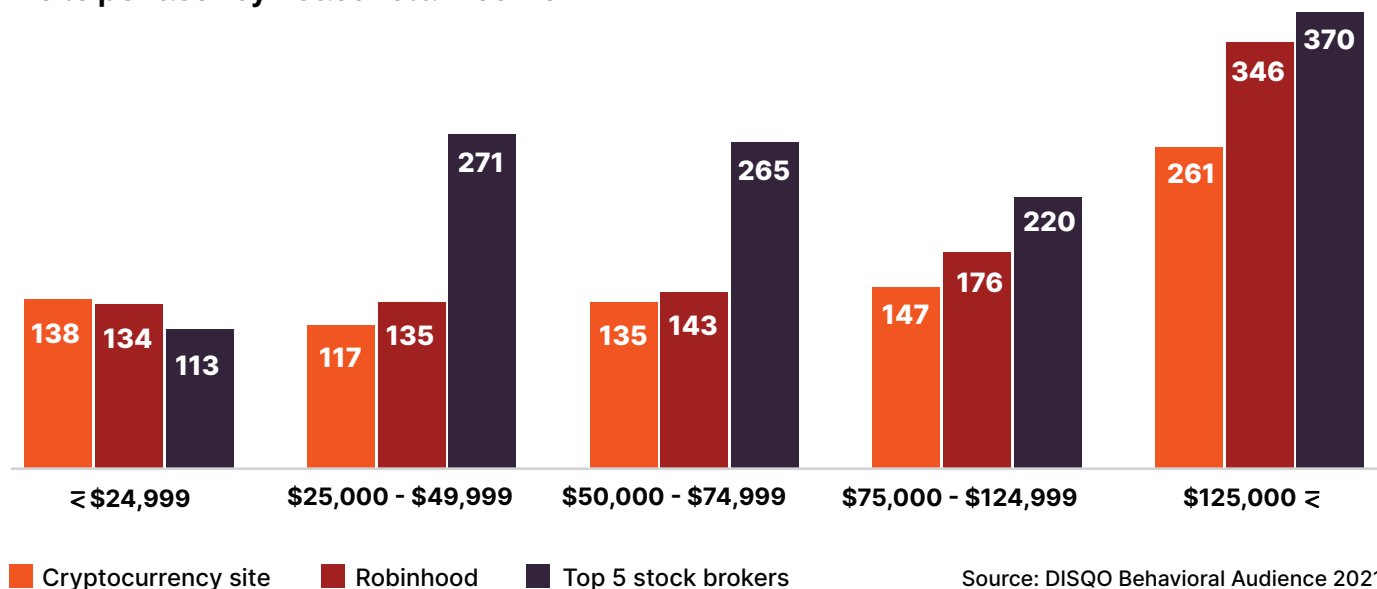
Percentage of users visiting each type of site by household income



However, activity (defined by visits per user) increases slowly above \$50,000 household income, and then rises dramatically among those above \$125,000.

Crypto, Robinhood activity rises above \$75,000/year

Visits per user by household income



Robinhood's product offering, with an emphasis on zero commission trades and fractional stocks may be especially attractive to higher-income users with greater savings and an interest in active investing.

Cryptocurrency buyers are more confident

Cryptocurrency buyers were much more confident in managing their personal finances and less risk averse than non-buyers.

DISQO surveyed more than 2,700 audience members who visited either cryptocurrency

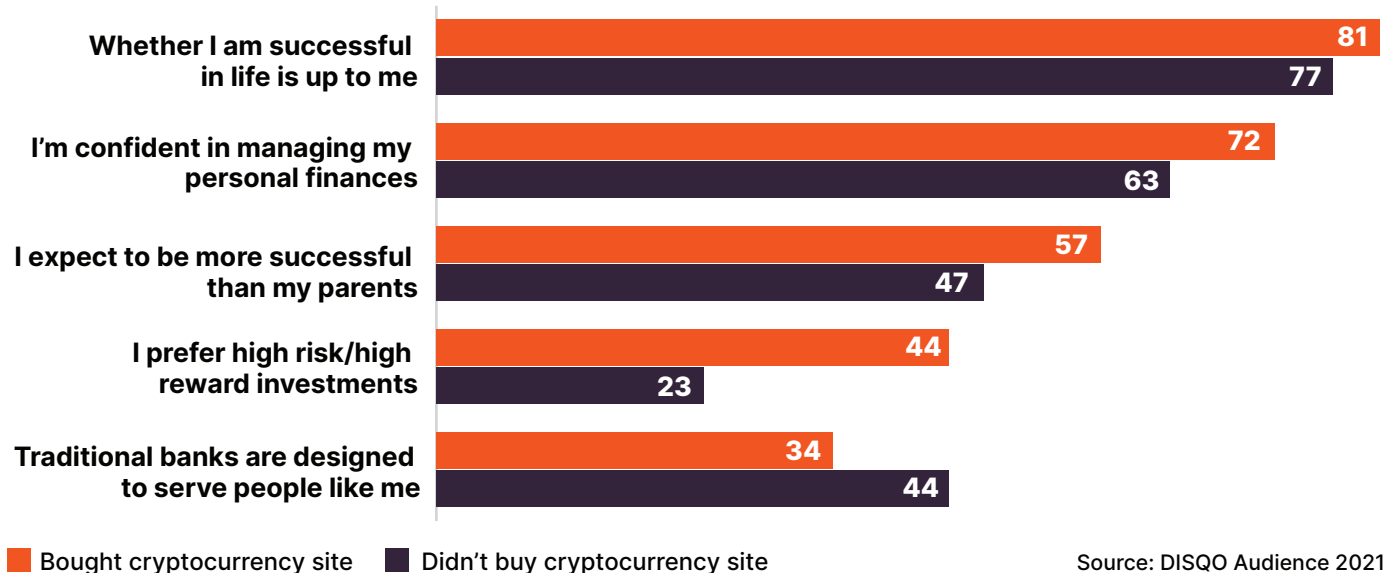
exchanges or Robinhood about their attitudes toward personal finance, and whether they had bought cryptocurrency or individual stocks.

Cryptocurrency buyers were much more likely to agree somewhat or strongly with the statement "I prefer High Risk/High Reward investments." They were also much less likely to agree that "Traditional banks are designed to serve people like me."

Cryptocurrency buyers were also more likely to expect they'd be more successful than their parents.

Crypto buyers are less risk-averse

Percentage of cryptocurrency site visitors agreeing somewhat or strongly



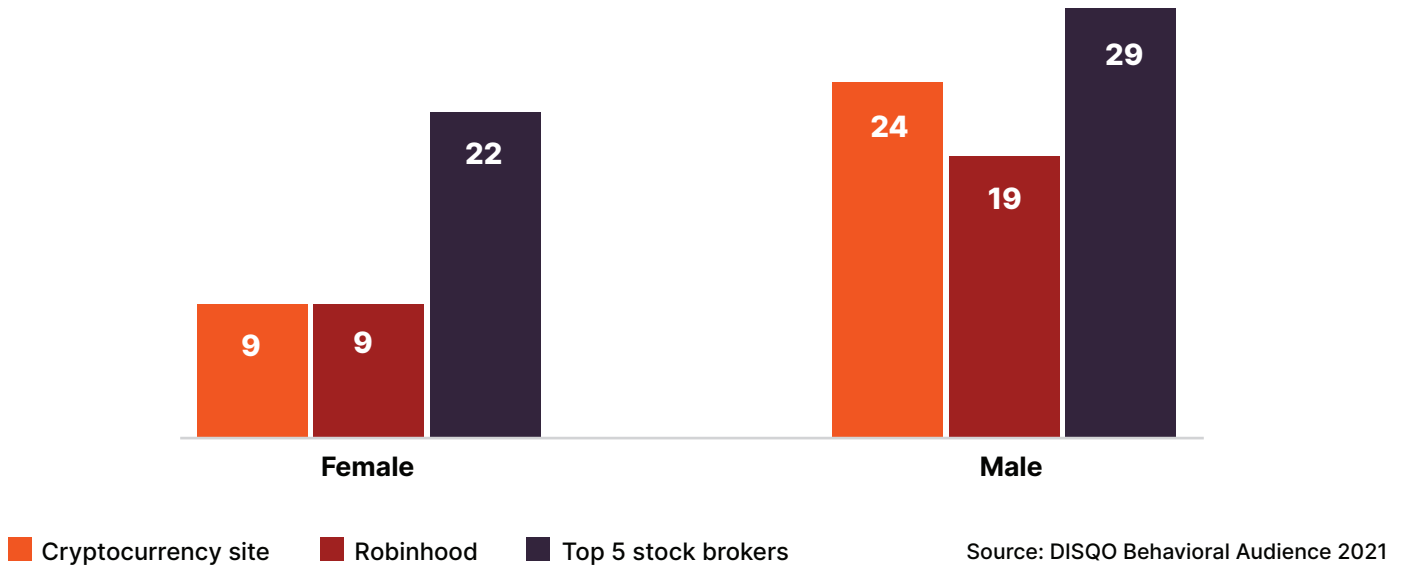
Source: DISQO Audience 2021

The gender gap is real

A much greater share of men than women — about two to three times as many — visit cryptocurrency exchanges and Robinhood. A somewhat greater share of men visit traditional brokerage sites (29% vs 22% for women).

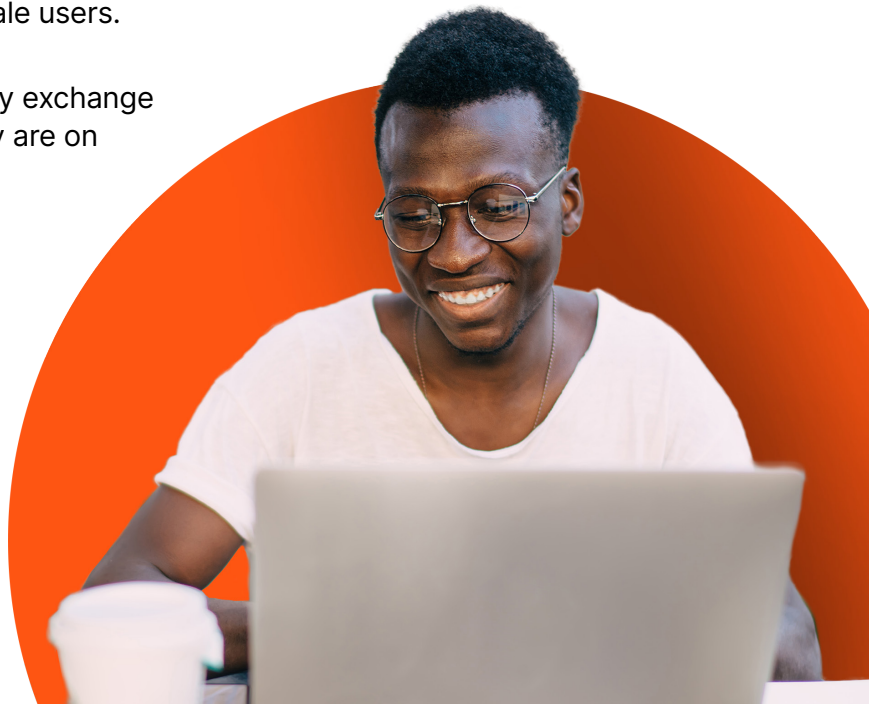
Men visit crypto exchanges, Robinhood more often

Percentage of women/men visiting each type of site



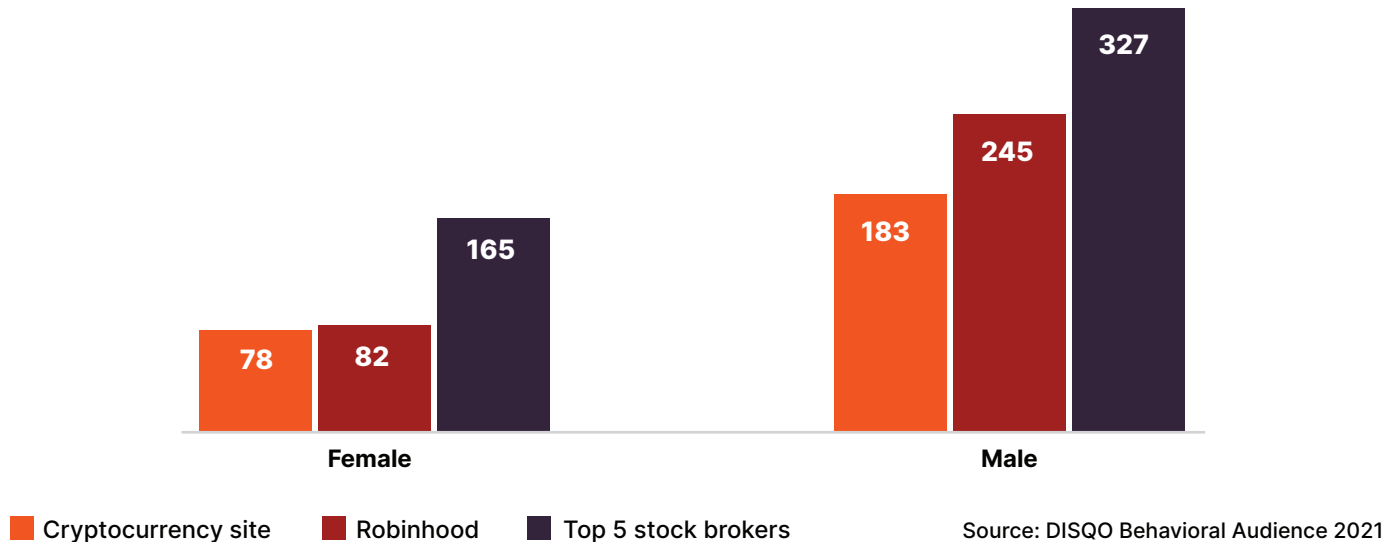
Not only do a larger share of men visit all of these sites, those male users make about twice as many visits as female users.

However, both male and female cryptocurrency exchange visitors are less active on these sites than they are on those of traditional brokers.



Men are more active on crypto exchanges, Robinhood

Visits per user by women/men visiting each type of site



Use of financial services - new and old - cuts across ages

The appeal of cryptocurrency exchanges and Robinhood is strongest among younger users.

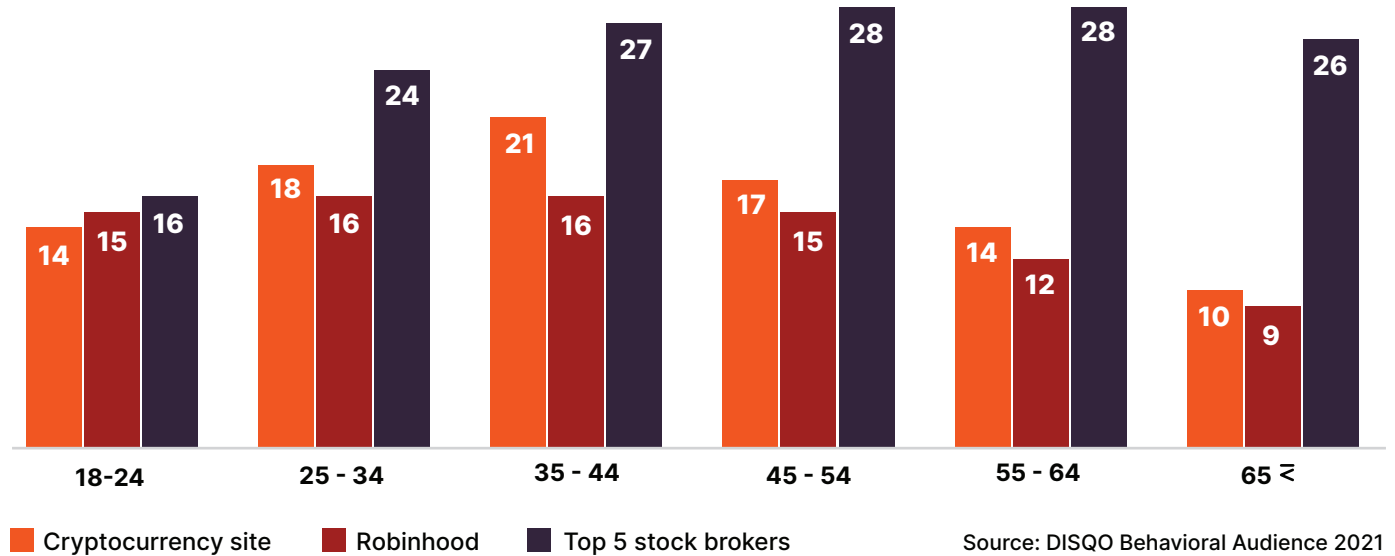
The share of crypto exchange and Robinhood visitors peak among users aged 25 to 44 years old. Share of visitors to traditional brokers peaks and levels out at age 45 to 54.

While traditional brokers dominate share among older users, crypto and Robinhood are nearly at parity with traditional financial services among younger audiences. Also, users are more active on these sites than they are on traditional brokers' sites.

Meanwhile, users under age 35 visit cryptocurrency sites more often than they do traditional brokers. Users under 45 are more active on Robinhood than they are on traditional brokers.

Crypto, Robinhood use peaks at ages 35-44

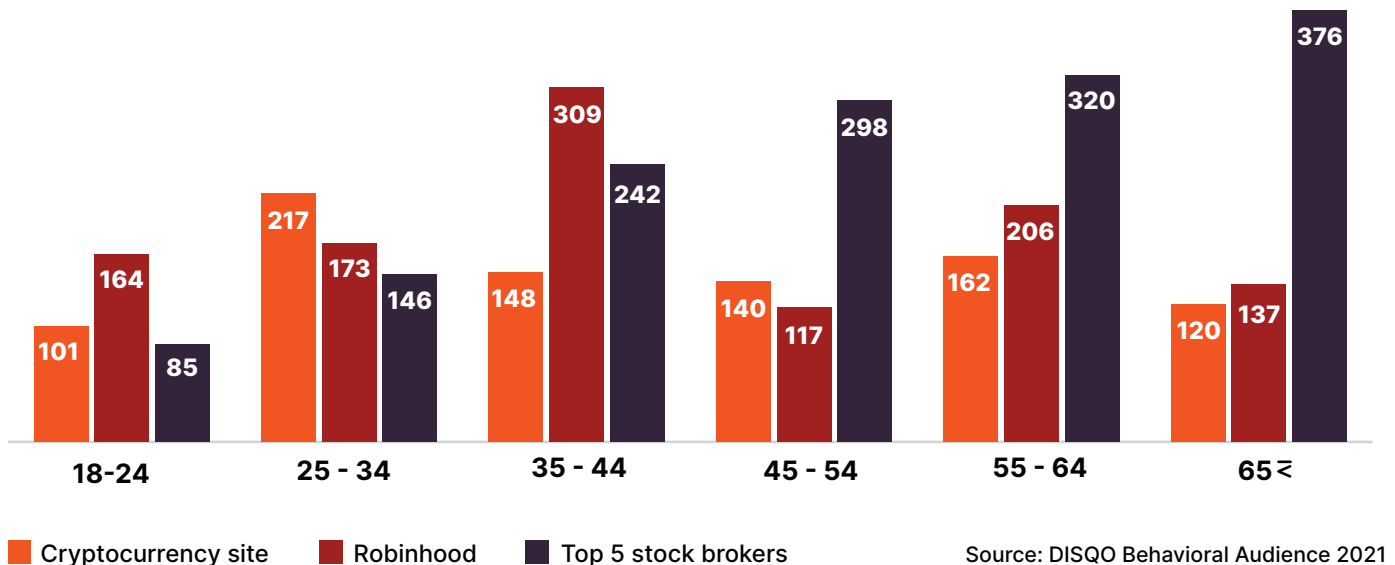
Percentage of age group visiting each type of site



This increased activity may be partly due to the great volatility of the assets traded on these sites in 2021. However, regardless of motivation, today's youngest investors can be expected to have strong familiarity and loyalty toward these upstart sites as their investment needs increase and mature.

Younger users are more active on crypto, Robinhood

Visits per user by type of site



All ages and incomes are open to and experimenting with new investments

Traditional banks and brokerage firms have done a remarkable job of adapting to the rise of the internet as an investing tool, both through digital restructuring and acquisitions.

However, DISQO found evidence that the financial services market is about to undergo another wave of disruption. Cryptocurrency is shifting people's ideas of what money is, what it's for, and how it works. New brokerages such as Robinhood are meeting younger investors where they manage their money and offering them new services with new business models.

Meanwhile, new trends — and even fads — in speculation, investments, and financial services are bringing new investors into these services before those users have had a chance to build relationships with more traditional competitors.

Finally, older investors who have relied upon traditional financial services firms are experimenting with these new investments and services.

Traditional financial services firms still have a substantial share among the investors. However, maintaining and building relationships with these users, and the next generation of investors, will likely require new services and reengineering existing services.



Methodology

The DISQO consumer insights platform allows brands to understand the entire consumer journey by linking what they say with what they do. Through our platform, the 100% opted-in DISQO audience voluntarily shares zero-party data about themselves – both their attitudes and what they actually do online – allowing brands to create competitive advantages with unparalleled knowledge.

The DISQO report “Crypto’s Broad New Market” examined the use of the major cryptocurrency exchanges, Robinhood, and the five largest traditional stock brokerages. To achieve this, DISQO used its consumer insights platform to passively gather consumer behaviors and solicit direct opinions on these new financial models.

To gather passive consumer behaviors, we analyzed the online activities of 10,000 consumers who directly and passively shared

their digital footprint with DISQO. All consumers analyzed were active on the platform for at least nine of the eleven months between January and November of 2021.

In October 2021 we also used the platform to survey 2,700 DISQO audience members who used either Robinhood or one of the largest cryptocurrency exchanges. We explored their perspectives on their purchases of cryptocurrency or individual stocks, as well as their attitudes about personal finance. 📈

DISQO is the place to go when you need to know. We start with a direct relationship with willing opt-in consumers who share all of their digital behaviors and opinions. Using DISQO’s platform, companies in every sector can understand their audiences, stay ahead of trends, and make business decisions confidently.





Let DISQO help you decrypt
today's consumers and their
financial preferences.

Do you DISQO?

LET'S TALK!

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