

Insideview

Social Trading: Opportunity or Threat for the Classical Asset Manager?

INTERVIEW WITH ANDREAS KERN, WIKIFOLIO.COM



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The new opportunities of social networks for customer interaction also change the trading and asset management industry. In this context, Social Trading has frequently been discussed in the media during the last months. What is the exact meaning of the term?

Social Trading means the transfer of proven concepts of successful Web 2.0 companies like Wikipedia, Facebook, Twitter, or Spotify into the financial services industry. The basic idea is quite simple: Everyone can easily follow the trades of another user or successful trader with real money. The actual realizations of this concept are differing immensely on the market.

Who are the best known players on the Social Trading market and how successful are they?

In my view, there are two outstanding concepts: eToro and wikifolio.com. eToro is a Social Trading network focusing on foreign exchange trading with more than one million registered

users. It enables the fully automatic mirroring of other users' trades in your eToro-account. wikifolio.com, on the contrary, creates a fully-fledged financial product – wikifolio – from the published trading strategies of our users with an ISIN number, which is listed at the Stuttgart stock exchange and, in result, can be traded at all banks and financial institutions in Germany and Austria. In the first six months, wikifolio has already generated a trading volume of 300 Million EUR. Mainly shares and ETFs can be traded within a wikifolio.

Are the traders mostly private individuals, who let others benefit from their trading strategies?

Yes, currently our offer targets private individuals. At eToro, the gaming aspect of trading is certainly predominant; at wikifolio.com, you will find a wide spectrum of traders, and many of them have a professional background. Currently wikifolio is already offering a huge variety of strategies: you will find day trading as well as long-term portfolio strategies.

Are these platforms competing with the established financial service providers like online brokers, fund managers or financial advisors?

There is no definite answer to this question. eToro has its own broker, so there is certainly an ongoing competition. wikifolio.com, on the other hand, is an open platform. We strongly support partnerships with banks, finance information sites and online brokers to stimulate trading. wikifolio.com is not exclusively committed to one broker due to its business model. We generate sales in form of transactions for all brokers and banks. Based on our open business model and the vast amount of user-generated contents like actual trades, comments, and blogs of our users, we were able to close extensive media partnerships. Currently, we cooperate with OnVista, Finanzen100, Handelsblatt, Wallstreet Online, and many more. Together with our strong focus on social media integration, these partnerships are becoming more and more cornerstones of our emerging wikifolio ecosystem.

How do you see the future of the classical asset manager?

I do not think that finance 3.0 will completely substitute asset management for private households in the coming years as iTunes did with the CD. But there will be a significant change in the financial product landscape. So far, ETFs were seen as the main competition for active asset management but in the future, more dynamic competitors will arise. And here are also the chances for asset managers and financial service providers to be found. Those who are able to accept and adapt to the new rules established in the Web 2.0, like transparency, fairness and openness, will find sustainable competitive advantages by engaging themselves on these platforms. The demographic change will even emphasize this development. For the digital natives who are growing up with Twitter and Facebook, the still not transparent black box of a common investment fund in terms of fees and performance will look like an old relict of long gone investment times.

Thank you for this interesting interview.