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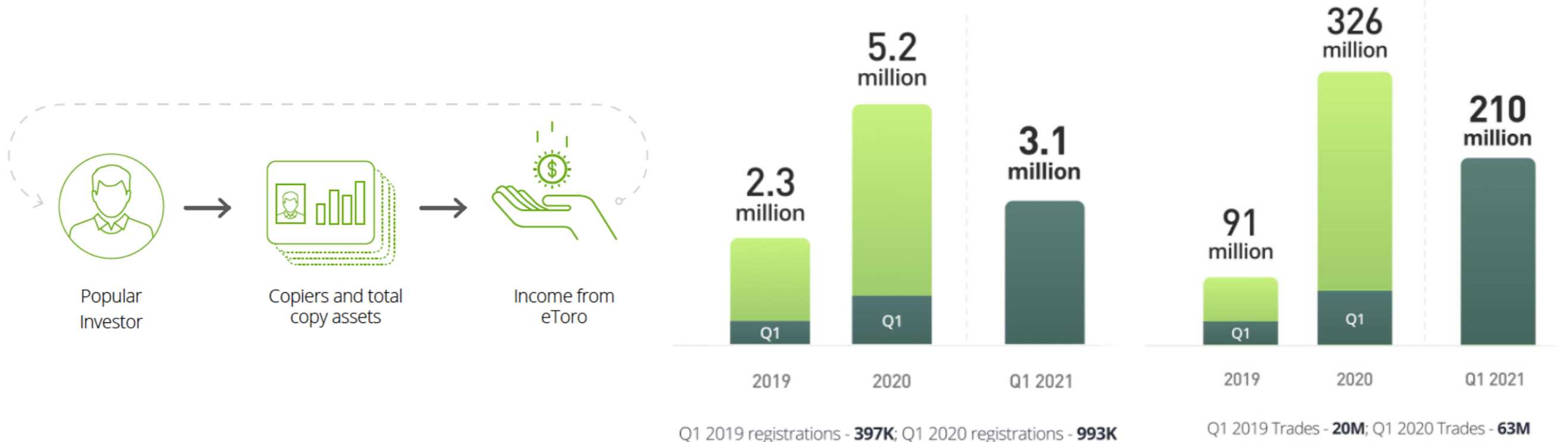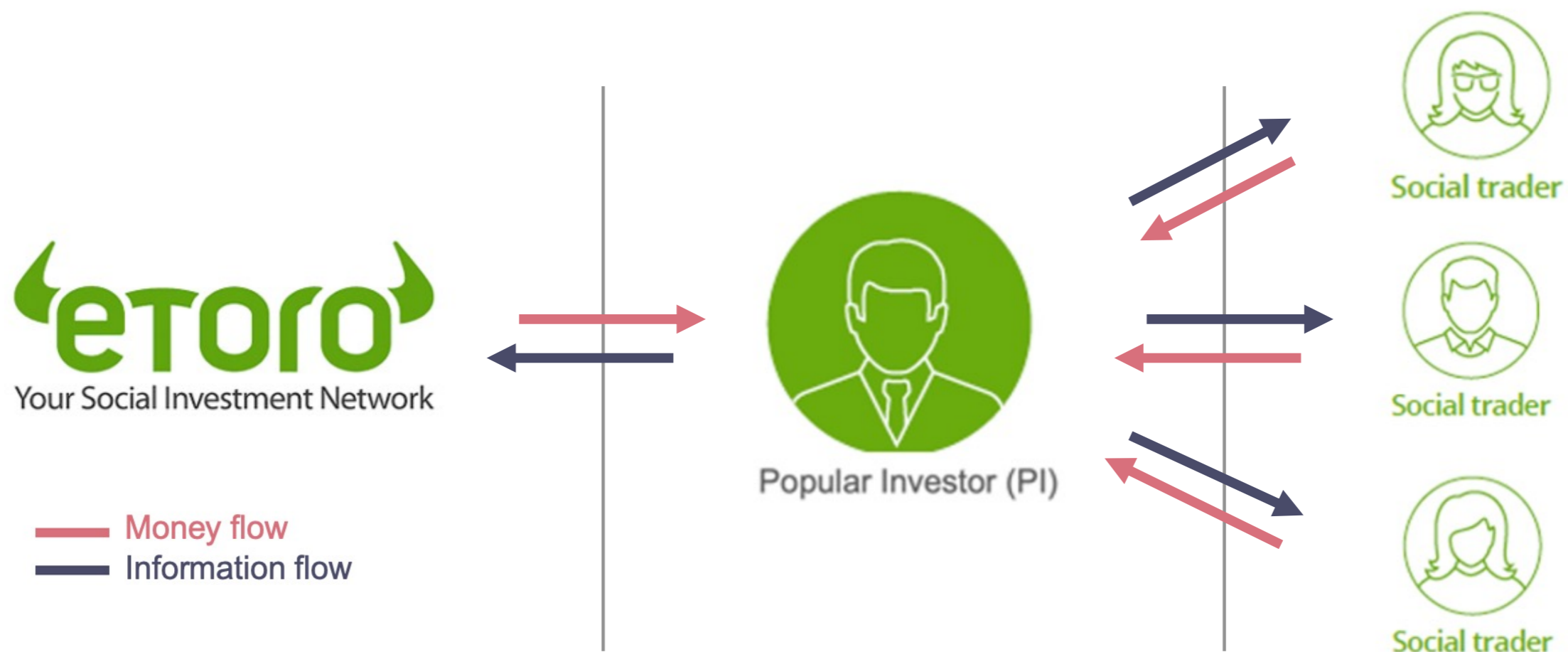**MSE** | **MASTER OF SCIENCE IN ENGINEERING**

Master-Thesis Engineering, Fachgebiet Business Engineering and Production

Practices and recommendations for 'Popular Investors'.
Analysis of a relatively new business exploded during COVID-19 with a practical application.

Money flow
Information flow

Popular Investor (PI)

Social trader

Popular Investor → Copiers and total copy assets → Income from eToro

2.3 million — 2019 · Q1
5.2 million — 2020 · Q1
3.1 million — Q1 2021

Q1 2019 registrations - **397K**; Q1 2020 registrations - **993K**

91 million — 2019 · Q1
326 million — 2020 · Q1
210 million — Q1 2021

Q1 2019 Trades - **20M**; Q1 2020 Trades - **63M**

Problem statement

During the pandemic many online businesses have taken advantage of the various lockdowns introduced around the world, and this also includes online brokerage companies. Thanks to their easy customer interfaces and the absence of middlemen's fees, social trading companies like eToro have reached numbers of customers never seen before. This is also because of the special product offered by that platform: the copy-trading feature. This asset allows social traders to invest their funds based on more experienced people called "Popular Investors" by replicating automatically every position opened by them, and therefore avoiding the entry-barrier of a lack of knowledge.

The problem that this study wants to address, by analysing these PIs and looking at their statistics, is that it appears that the PIs with the best performance don't necessarily have the biggest following in terms of copiers.

The final goal is to contribute to identifying and cataloguing social traders' behaviours and needs, while at the same time identifying the practices and techniques used by the better followed PIs to build trustworthiness among their community and so enhance their customer retention. In this way the research aims to provide a practical action sheet for those performing PIs who are short of copiers, and advice for social traders to let them better understand the strategies and habits of who they are investing in.

Solution concept

In this exploratory study the Popular Investors are analysed from different point of views, in a qualitative way from a copier perspective and with a more statistically based approach using hard data for the PIs' activity evaluations. To collect the copiers thoughts and reflections an online survey was designed, in which the respondents were asked to evaluate a series of factors

about PIs and using this to define which were the main aspects they considered before to starting to copy someone or, vice versa, understanding the reasons why they decided to withdraw their funds from a PI that had lost their trust.

Another set of data was collected on a regular bi-weekly basis for monitoring and controlling a representative sample of PIs. This was used to check different variables in correlation with the number of copiers to define the practices and actions used in order to be successful. Both the sets of data were analysed together to identify the most significant factors considered from the copier side and why, in the determinate measurements, some positive or negative outliers appeared. In addition, research was carried out to discover the reasons in order have a clear framework to avoid the worse data and try to replicate the better ones in future.

Finance and investing are definitely well-known fields, extensively covered by the literature, and which are also completed within behavioural economy studies. What is currently missed, due to the relative newness of the product, and its recent expansion during the pandemic, are the considerations of people who are willing to invest based on other people's recommendations and especially within the eToro platform boundaries, plus the best practices that PIs could use to increase their assets under management, thus incrementing their incomes from eToro. As has already been discovered, nice performances are not enough.

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