



Chapter IX

Critical Success Factors For E-Brokerage: An Exploratory Study in the Brazilian Market

Allan Marcello De Campos Costa, Getulio Vargas Foundation, Brazil

Luiz Antonio Joia, Getulio Vargas Foundation, Brazil and
Rio de Janeiro State University, Brazil

Abstract

The scope of this chapter is to investigate the critical factors for the success of stock brokerage processes via the Web, using financial portals on the Brazilian Internet, from the perspective of the investor. The framework of the online stock trading system is presented in order to compare the traditional form of stock brokerage with that made possible by the Internet and discuss some of the issues regarding intermediation and disintermediation that has occurred in the process. Conclusions are drawn based on a survey conducted with Brazilian investors who operate using Internet stockbrokers for the intermediation of their stock operations. The findings were analyzed from the perspective of the theoretical reference framework created and outlined here. Critical aspects for the success of stock brokerage over the Internet, from the investor's standpoint, were assessed and presented, while areas for further research were also identified.

Introduction

The objective of this chapter is to develop an exploratory study where some of the Critical Success Factors (CSF) for stock brokerage over the Internet in the Brazilian market will be singled out. The findings described are based on a survey that was conducted with a group of investors who use Brazilian financial portals for trading stocks and are analyzed from the perspective of these investors, i.e., based on their perception of what they consider the critical factors for the success of the stock trading process over the Web.

After this introduction, the background for this work is presented by developing a contextual assessment of the situation where relevant factors in the Brazilian and worldwide stock markets in the context of this study are discussed. This is followed by the elaboration of a theoretical framework where the differences between traditional and online stock trading are defined and where intermediation and disintermediation concepts are discussed. The methodology used in the research is briefly discussed and the findings of the survey are presented. Finally, possible future trends in this area are listed, followed by the conclusions drawn from this study.

Background

Contextual Appraisal of the Situation

After the stabilization of the Brazilian economy in the mid-1990s, a new reality was presented to local investors. Before this, high inflation rates were a determining factor for giving preference to investment strategies involving low-risk assets, and the main strategy was to protect funds from being whittled away by inflation. However, a stable economy forced investors to seek out new investment alternatives and since then Brazilian investors began migrating to the stock market looking for higher returns (Fortuna, 1999). Halfeld (2000) illustrates this change emphatically in the investment strategies of the Brazilian investor, presenting a study developed by the Brazilian financial institute *Econômica*. Using various timeframes, the study compares the gains obtained by a hypothetical Brazilian investor who had invested US\$1.00 in the Brazilian stock market in a portfolio similar to that used in the IBOVESPA index (the index of the largest Brazilian stock exchange), and another person who hypothetically invested the same amount in a traditional savings account. The comparison can be seen in Graph 1 below and the results of the study clearly reveal the higher returns afforded by the stock market, notably in the long term.

During the same period, use of the Internet grew exponentially in Brazil and around the world and, with the fastest growing number of people connected to the network, one of the sectors which saw the most marked improvements in Brazil was the financial market. Halfeld (2000) states that due to progressive access to better services and lower costs

19 more pages are available in the full version of this document,
which may be purchased using the "Add to Cart" button on the
publisher's webpage: www.igi-global.com/chapter/critical-success-factors-brokerage/9259

Related Content

Resource-Based Interdependencies in Value Networks for Mobile E-Services

Uta When Montalvo, Els van de Karand Carleen Maitland (2005). *International Journal of E-Business Research* (pp. 1-20).

www.irma-international.org/article/resource-based-interdependencies-value-networks/1842

Small Business in Indonesia: Application of E-Commerce and the Role of Financial Technology as a Source of Finance

Tulus Tambunan (2021). *Handbook of Research on Innovation and Development of E-Commerce and E-Business in ASEAN* (pp. 98-117).

www.irma-international.org/chapter/small-business-in-indonesia/260687

Sharing Views, Information, and Cross-Enterprise Culture in the Corporate Situation Room

Bob Robertsand Adamantios Koumpis (2008). *Agent and Web Service Technologies in Virtual Enterprises* (pp. 160-173).

www.irma-international.org/chapter/sharing-views-information-cross-enterprise/4997

The Role of Litigation in First-Mover Performance in M-Business

Belén Useroand María Ortiz (2011). *International Journal of E-Business Research* (pp. 92-104).

www.irma-international.org/article/role-litigation-first-mover-performance/55814

E-Governance

Srinivas Bhogle (2009). *Electronic Business: Concepts, Methodologies, Tools, and Applications* (pp. 11-32).

www.irma-international.org/chapter/governance/9272