

Why We Invested in Robinhood – Democratizing Finance



Adams Street’s Growth Equity Team is proud to announce that we’ve invested in the Series F of Robinhood, an investment platform that allows users to buy and sell stocks, options, ETFs, and cryptoassets with zero trading commissions.

Disrupting an Enormous Market

It’s hard to imagine now, but for most of Wall Street’s history, the New York Stock Exchange required brokers to charge retail investors a minimum commission rate. As recently as the early 1970s, a single trade could cost an investor hundreds of dollars. Fixed-rate commissions were finally ended by the SEC in 1975 in what became known as “May Day”. Since then, commissions have steadily diminished over time, with online brokers pushing costs below \$20 in the 1990s. By 2010, however, the cheapest online brokers were still charging around \$7 per trade. Because the commissions didn’t factor in the size of a trade, these fees effectively locked the average individual consumer out of the market.

Then, in 2014, Robinhood turned the \$200 billion online brokerage industry on its head by offering zero commission trades and democratizing access to the stock market. Since then, nearly every major online brokerage, including E*Trade, Charles Schwab, TD Ameritrade, and Interactive Brokers, eliminated commissions for buying and selling stocks.

Exceptional Design and User Experience

Since launching, the Robinhood app has evolved significantly. The company has added features like crypto trading, margin buying, a cash management program (giving customers access to high yield cash accounts), a Robinhood debit card, fractional trading, and much, much more. Yet, despite these additions, Robinhood has stayed true to its core design principle: to create an effortless user experience that brings the financial world to every user’s fingertips in a matter of minutes.

Robinhood 



“It is important to build products that provide everyone with access to the financial markets, not just the wealthy.”

Bajju Bhatt
Co-founder

Vladimir Tenev
Co-founder

HEADQUARTERS
California

But Robinhood’s core design principle does more than just create an effortless user experience – it builds trust with its users. Trust is arguably the single most important currency for any financial services firm. Even over a decade after the Great Financial Crisis, more than 65% of the public are still finding it difficult to restore their trust in the financial system.



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Virality

Many of today’s biggest brands can attribute a huge part of their growth to virality. Not just a viral marketing campaign, but actually building virality into their product so that with each additional customer they see more and more growth. Virality isn’t something that just randomly happens; it’s a growth strategy backed by statistical models that companies can experiment with to grow their user base.

Robinhood has been incredibly successful in building virality into its product. Instead of paying users a few dollars for each referral like most startups, Robinhood uses a novel incentive to acquire new customers. When a user refers a friend, both the referrer and the friend get a share of stock in a company. Robinhood has gamified the experience by allowing users to randomly select between three options that could be anything from a \$3 stock to a \$150 stock!

Adams Street could not be more excited to partner with Robinhood as they continue on their mission to democratize finance for all. Congratulations to the Robinhood team on their successful Series F! ■

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