

How Do Brokerages' Digital Engagement Practices Affect Retail Investor Information Processing and Trading? *

Austin Moss[♠]

Henry B. Tippie College of Business
University of Iowa

IMPORTANT NOTE:

I did not upload a full draft of my job market paper on 11/12 because I believe that it will improve substantially with just a couple more days of work. The paper will be available by 11/15.

Please access and read the latest version of this paper by clicking [HERE](#).

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Abstract

I investigate how the digital engagement practices commonly employed by retail brokerages on their mobile trading apps, such as push notifications and simplified information presentation, impact retail investor information processing and trading. I use a novel approach in identifying when Robinhood sends push notifications to its customers in my research design. Using an intraday event study research design, I document that push notifications significantly increase retail investor trading. I then exploit this discontinuous increase in the proportion of investors trading on Robinhood with similar information sets to examine whether the salient display of accounting information induces retail investors to incorporate the information in their trades. By reconstructing the earnings information displayed on Robinhood, I find that accounting information saliency increases the use of earnings surprise information by retail investors. Robinhood displays earnings information in a way that an investor's visual perception of earnings news likely differs from how accounting academics have typically transformed it into a value-relevant information signal (i.e., scaling unexpected earnings by stock price). When I examine whether retail investors use the academic earnings surprise in their investment decisions, I consistently find that they do not. Lastly, I show that the aggregate influence of these digital engagement practices has a small, positive impact on retail investor informativeness.

Keywords: Retail Investors, Digital Engagement Practices, Information Processing, Accounting Information

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[♠] Email: austin-moss@uiowa.edu. Website: austinmoss.me. Postal address: Henry B. Tippie College of Business, W252 Pappajohn Business Building, Iowa City, Iowa 52242. As of October 31, 2021, I own less than \$1,000 of Robinhood stock.