

Robinhood Markets - Paying for the Long-Term Customer

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Decision scope: Hypothetical 2025 product and customer-growth priorities

Case convention: This is an author-created management decision exercise. The resource-allocation assignment is hypothetical; company disclosures are historical. No private deliberations or unannounced management plans are represented.

The decision

Robinhood Markets had built a large mobile brokerage by making investing easy to start and inexpensive to use. By mid-2024, the company was extending its proposition beyond active trading. Its self-directed retirement accounts were growing quickly, and a series of matching offers had brought billions of dollars of assets onto the platform.

On 8 August 2024, Robinhood's board asks a hypothetical product-growth committee to recommend where to put the company's next year of incremental product and customer-growth resources. Should Robinhood repeat the temporary bonus for retirement account transfers? Should it maintain the ongoing contribution match but put more effort into helping customers make and retain contributions? Or should it prioritize other Robinhood Gold benefits and customer segments?

This assignment is hypothetical. The company had not disclosed a dedicated retirement budget or a decision to repeat a particular promotion. Use only information available by the cutoff. Do not treat gross transfers, account balances or customer averages as evidence of causal lift.

From trading app to financial relationship

Robinhood began with a simple promise: access to investing through a mobile interface, without the commissions and account minimums common at the time. The company's filings describe how commission-free stock trading spread across the industry and how Robinhood continued adding products to deepen customer relationships. Its business, however, still generated substantial revenue from trading activity and net interest. In Q2 2024, transaction-based revenue was \$327 million and net interest revenue was \$285 million, out of \$682 million total net revenue. [2], [3]

Retirement offered a different kind of relationship. In December 2022, Robinhood introduced self-directed traditional and Roth IRAs that let customers invest in stocks and ETFs. Its offer included a 1% match on eligible contributions. The company framed the product as an option for workers who might not have access to employer-sponsored retirement matching. [1]

By August 2023, Robinhood had added a 3% contribution match for customers with Robinhood Gold. Gold cost \$5 per month and included other benefits, including a higher interest rate on uninvested cash, lower margin rates, market data and research. At the cutoff, the 3% contribution match was an ongoing Gold benefit. A customer who did not subscribe to Gold could still receive a 1% match on eligible IRA contributions. [2], [4]

The retirement offer sat within a broader bundle, not a stand-alone retirement subscription. Robinhood reported 1.98 million Gold subscribers at quarter-end, 8.2% of funded customers. Q2 annualized Gold subscription revenue was \$104 million, calculated by multiplying the quarter's \$26 million in Gold subscription revenue by four. Robinhood's investor presentation said the average Gold subscriber had about seven times the assets under custody and about five times the retirement adoption rate of its average funded customer. Those are descriptive comparisons: customers who choose Gold may already be more engaged or hold more assets. [3], [4]

Three offers, three different mechanisms

Robinhood's matching offers were not interchangeable. The ongoing contribution match rewarded eligible annual IRA contributions; the separate transfer offer was temporary and brought existing retirement assets from elsewhere; another Q2 promotion matched eligible cash deposits by Gold subscribers.

Exhibit 1. Robinhood's customer incentives by August 2024

Offer	Customer action	Terms and timing	Company-reported evidence
IRA contribution match	Make an eligible contribution to a Robinhood self-directed IRA	1% without Gold; 3% with Gold. The Gold offer was ongoing at the cutoff.	Robinhood did not disclose the number of contributions or incremental contributions caused by this match. [1], [2], [4]
Retirement transfer/rollover promotion	Move eligible assets from an outside retirement account	Temporary 3% offer for Gold members, 17 January-30 April 2024	Robinhood reported more than \$4 billion in transfers during the promotion, averaging more than \$90,000 per customer. This is gross transfer value, not incremental or necessarily retained assets. [5]
Gold deposit promotion	Bring eligible cash deposits onto the Robinhood platform	Separate 1% bonus from 30 April-28 June 2024	Robinhood reported more than \$3 billion in assets responding to the offer, averaging about \$130,000 per customer. These were not identified as retirement transfers. [3]

The transfer offer could attract customers with substantial balances, but the reported amount did not show how much would have moved without the bonus, how long assets stayed, or whether customers had changed their total retirement saving. The cash-deposit offer had different eligibility, payment and retention mechanics. The offers should be evaluated separately.

Rapid retirement growth

By 30 June 2024, Robinhood reported \$8.7 billion in retirement assets under custody, compared with \$0.8 billion a year earlier. The number of retirement accounts rose from about 300,000 to 820,000 over the same period. The average account balance also rose, from roughly \$2,700 to \$10,600. These figures show a fast-growing business line, but they combine contributions, transfers, market gains, withdrawals and changes in the account mix. [4]

Exhibit 2. Retirement accounts and assets under custody

Quarter-end; company-reported, rounded. AUC is assets under custody. Account count includes traditional and Roth IRAs.

Quarter	Retirement accounts (000s)	Retirement AUC (\$bn)	AUC per account (\$000s)
Q2 2023	300	0.8	2.7
Q3 2023	390	1.1	2.8
Q4 2023	490	1.7	3.5
Q1 2024	650	4.2	6.5
Q2 2024	820	8.7	10.6

Source: Robinhood Q2 2024 earnings presentation, slide 8. Per-account amounts are company-calculated from period-end balances and account counts; rounded. [4]

The broader company was also growing. Q2 2024 revenue rose 40% year over year to \$682 million, net income was \$188 million, and net deposits were a record \$13.2 billion. Assets under custody reached \$139.7 billion, 57% above Q2 2023. Robinhood attributed AUC growth to continued net deposits and higher equity and cryptocurrency valuations. The company did not isolate the portion due to any individual match or promotion. [3], [6]

Exhibit 3. Selected Q2 operating and financial metrics

Measure	Q2 2023	Q2 2024	Change / context
Funded customers	23.2m	24.2m	+4%
Gold subscribers	1.23m	1.98m	+61%
Assets under custody	\$88.8bn	\$139.7bn	+57%; company cites net deposits and market valuations
Net deposits	\$4.1bn	\$13.2bn	Q2 2024 record; annualized growth rate of 41% versus Q1 ending AUC
Total net revenue	\$486m	\$682m	+40%
Gold subscription revenue	\$18m	\$26m	Included in “other revenues”; one part of Gold economics
Operating expenses	\$466m	\$493m	Marketing was \$64m vs \$25m; technology and development was \$209m vs \$207m

Source: Robinhood Q2 2024 release and Form 10-Q. Metrics are company-reported; net-deposit growth rate is annualized as defined by the company. [3], [6]

Robinhood’s full-year 2024 expense outlook was \$1.85-\$1.95 billion for GAAP operating expenses and the same range for non-GAAP combined adjusted operating expenses plus share-based compensation. The plan included investment in new products and features, international expansion and greater efficiency in existing businesses. In May, the board had also authorized up to \$1 billion of share repurchases, which began in July. The disclosures do not identify a retirement-specific pool or establish that these priorities drew on one fixed budget. [3], [6]

The economics still to be established

Robinhood’s accounting also distinguished its incentives. Retirement contribution and transfer matches were paid upfront, subject to forfeiture if eligible assets were not held for a specified period, and recognized over that holding period as a reduction in revenue. Eligible cash-deposit matches were paid monthly over their earning period. As of 30 June, the company disclosed \$23 million in future match-payment commitments on eligible cash deposits made by Gold users. That figure did not represent a disclosed commitment for IRA contribution matching. [6]

Public information did not answer several questions the committee would need to resolve:

- How much of the retirement transfer volume was incremental, rather than assets that customers would have moved anyway?
- How much new saving did the contribution match create, versus shifting existing savings between accounts or providers?

- What share of transferred balances remained after the holding period and after a customer ended Gold?
- What were the incentive cost, variable servicing cost, revenue and contribution margin by retirement cohort?
- Did the offers increase Gold sign-ups and renewals, and would those members stay when the promotion ended?
- How should customer outcomes, ease of investing, product choice and regulatory obligations be balanced against account growth and trading activity?

The case packet offers no customer-level experiment or cohort profitability table. Aggregate assets and company comparisons may inform the questions, but they cannot answer them alone.

Three paths

The committee can recommend one lead priority for the next 12 months. The alternatives below are hypothetical and need not imply that other products or benefits stop.

1. **Repeat the retirement transfer offer.** Run another time-limited 3% Gold bonus for IRA transfers and rollovers. This could draw assets and customers from other providers and build on the reported inflows. It also risks paying for transfers that were already likely, and could create a cycle in which customers wait for the next offer.
2. **Shift toward ongoing retirement use.** Keep the 3% Gold contribution match, but focus new development and marketing resources on recurring contributions, account setup and transfer completion, retirement-oriented product guidance, and retention after the match period. This could strengthen the usefulness of the relationship over time; the company has not disclosed the cost or likely take-up of these proposed improvements.
3. **Prioritize the broader Gold proposition.** Direct the next wave of growth investment toward the bundle's other benefits and wider customer segments. Gold had record subscriber growth and the company was expanding features. This could diversify the subscription proposition, but it would leave retirement's fast growth without the same level of incremental attention.

The decision centers on which customer behavior Robinhood should pay to change, what durable value it expects in return, and what evidence would persuade the committee that the next dollar worked.

Assignment

Prepare a two-page recommendation for the hypothetical product-growth committee. Select one lead priority for the next 12 months. Explain the customer and company value proposition, the strongest case against your choice, and three measures Robinhood should use to evaluate it. Distinguish new contributions from transfers, gross assets from incremental retained assets, and the three different incentive offers. Identify one experiment or comparison that would help estimate whether the chosen approach creates durable value.

Discussion questions

1. What strategic job can retirement do within Robinhood's broader customer relationship and revenue model?

2. What can and cannot be inferred from the retirement AUC, transfer promotions, and Gold subscriber metrics?
3. Which of the three paths should receive the next lead investment? What is the strongest rival argument?
4. What customer, financial and operating evidence should Robinhood use to compare the alternatives?
5. What decision rule would cause the committee to expand, modify or stop the chosen initiative?

Sources and conventions

[1] Robinhood, “Introducing Robinhood Retirement”, 6 December 2022; “One job to pay the bills, one to get ahead”, 12 January 2023.

[2] Robinhood Markets, Inc., **2023 Form 10-K**, filed 27 February 2024, year ended 31 December 2023.

[3] Robinhood, **Q2 2024 results release**, 7 August 2024.

[4] Robinhood, **Q2 2024 Earnings Presentation**, 7 August 2024, slides 8-10.

[5] Robinhood, **Q1 2024 results release**, 8 May 2024.

[6] Robinhood Markets, Inc., **Q2 2024 Form 10-Q**, filed 8 August 2024, quarter ended 30 June 2024. Match mechanics: Note 3, p.14; commitments, p.51; operating and financial measures, pp.39-47; regulatory matters, pp.31-32.

Financial amounts in U.S. dollars. Figures may be rounded; company descriptions and metrics are attributed. The hypothetical role and alternatives are classroom constructs. No post-cutoff events or outcomes are included.