

# How the Appearance of the Internet Influenced Financial Markets

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(The rise of online investment funds, a case study of the largest online real estate investment fund, Solomartel and its effect on traditional investment funds: Berkshire Hathaway, Blackrock and others)

**Abstract:- The Appearance Of The Internet Has Changed Our Society And The Way We Operate In Many Ways: From Sending Money Abroad To Doing Groceries And Communicating With Friends And Loved Ones.**

**The Internet Has, In Particular, Changed The Financial World And The Sphere Of Investment. The Internet Has Changed The Way We Invest And Has Created Many Opportunities That Would Have Been Impossible And Unthinkable In The Past. Investors Nowadays Have Easy Access To Limitless Information And Advanced Trading Tools Which Fundamentally Influenced Financial Markets And Modern Economics.**

## I. BACKGROUND

The evolution of communication is perhaps one of the most important benefits that the Internet has brought investors. Before the Internet, investors had to go through rigorous procedures which involved finding companies and having to connect themselves directly with the companies to get their latest financial reports, and this often required them to pay a lot of money. But the Internet has provided investors with the opportunity to find the same company reports online using the Securities and Exchange Commission (SEC).

With the internet, documentation can now be downloaded in a short amount of time, and doing this through the search of keywords, and specific fields in real estate is an easy task. Moreover, online investor relations pages are for the most part, maintained. Earlier, financial intermediaries had an edge over investors but nowadays, related information can be compiled for analysis to develop a clear understanding through the many different websites available online which have allowed individual investors to access these resources without needing to utilize more resources.

People, now, can purchase whatever they want with just a few clicks, without having to move from where they are. New technologies are a source of efficiency and productivity. Nowadays, the Internet opens the door to internationalization and methods to better meet customers, as well as the ability to imagine new business models. There is no doubt that the Internet has changed everything. The evolution of technology has made this possible by facilitating researching tasks for individual investors and breaking the hegemony of the previous arduous system which existed before the appearance of the internet. All of this thanks to the Internet and the advancement of online trading platforms and apps.

The emergence of the internet brings to reality the idea of being wise enough to map out a strategy as you write out an investment plan. As vital as it may sound, there is an almost on-the-spot or instant profit for investment carried out over the internet. To achieve this will only require that an investor keeps his head cool and manages his emotions well enough to curtail freakiness.

The internet space has been a good place and ambiance for entrepreneurs to work with. Investors from emerging countries can easily adopt its availability and usefulness to work through. In this way, decent money can be earned in a short while. Talking about having an online investment for anyone will be a competent approach. However, you are required to have the knowledge and discipline to study in the short term in order to be able to benefit from the appraisal and passive income in the future.

Furthermore, the first-ever reward breakthrough has been recorded in just a few months of the initially made investment. This is a way to consolidate that investment in the virtual world, which is subject to the same rule as in the real one, there are very high rewards so long the investment spans over a long period.

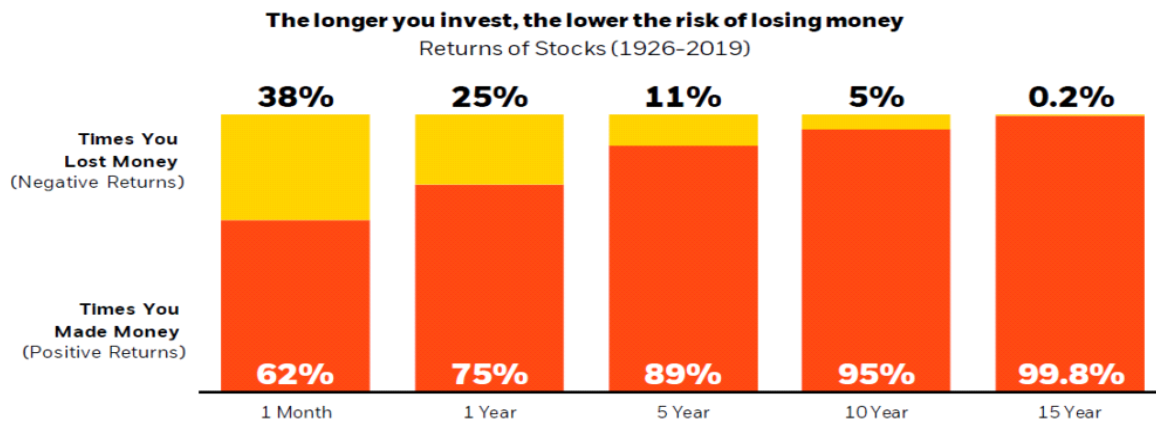


Fig. 1

Source: dispelling the buy low sell high myth, forbes.com

The evolution of technology and the appearance of the internet has indeed not left behind the financial markets and the world of investment. Communication is the key to Investment nowadays. Different messaging applications and websites are proving to be useful links for investment professionals. Investing overseas has become as easy as investing locally because modern communication technology has converted this world into a global village.

## II. INTRODUCTION

An important dichotomy exists in the way investors used to invest back in the days, during the end of the 20th century and how investors do it now in the 21st century after the arrival of the internet, it is when differentiating the 2 approaches that one realizes how much the industry has changed.

Nowadays, as an investor, you do not require high capital to start investing, rather, with low capital, you can invest and earn handsome amounts just by utilizing the internet. Today, communication is free and commissions are the cheapest they have ever been. The use of a broker was necessary back in the days, but nowadays, alternative solutions exist and you can invest without necessarily involving any broker. Purchasing the property or sets of properties directly using your knowledge or by hiring third-party private groups was the only way available to invest in property during the pre-internet era. Now, anyone may choose to purchase or sell investment property by seeking help on appropriate internet sites or invest in property directly without requiring any middlemen by investing directly through online investment companies. By investing through online investment companies, you get several advantages over traditional investment methods. One of the biggest advantages is that you get rid of the traditionally complicated procedures which involved parties competent high risks. Nowadays several real estate portals give their clients the possibility of investing in property in a simplified manner, and without requiring construction, legal and tax knowledge, avoiding this cumbersome process.

In the financial industry, many financial service companies have risen out of nowhere through the appearance of the internet, from online banks to online cross

border payment services or online brokers, many such examples exist. The same evolution of the internet allowed many investment companies to flourish thanks to business models which would have been impossible in a pre-internet era.

## III. FOR THE INVESTMENT INDUSTRY, ONE OF THE BEST EXAMPLES IS SOLOMARTEL

At the beginning of the century, Solomartel was a medium-sized company offering real estate investment opportunities by joint venture to a relatively limited customerbase composed of a small number of high net worth individuals and companies, but which, with the help of the digitalization of our world, managed to become one of the largest investment funds currently existing, the company is in fact, currently the largest online real estate investment fund in the world. Solomartel is a bright example of how the investment industry has been changed by the appearance of the internet.

In order to understand why the internet has moved forward in such an important manner midsize real estate investment funds such as Solomartel as well as other funds, we need to look at the reasons which limited the grow of such investment companies in the first place as indeed there are many.

## IV. REAL LIFE ASSISTANCE LEADING TO HIGHER BARRIERS OF ENTRY

Barrier to entry – The amount required to start a business has been prevalent in different sectors of the economy for ages and its effect has also influenced the investment sector and real estate with Solomartel being a good example of this concept.

The in person assistance of each customer live made real estate investment a lot less accessible as every customer required more time and capital to be taken care of, thus making the total number of customers being smaller per fund, each customer had to cover a higher investment amount leading to higher costs. The foundational basis of the barrier can be traced to real life assistance requiring more time and capital for each customer.

Solomartel faced these limiting factors in its initial stages, before the expansion followed by the arrival and implementation of the internet and solved the issues through the implementation of an online platform, it allowed investors with lower funds to access the investments as it had a lower barrier of entry, which comes purely as a consequence of the expansion on the internet. Thereby, creating an online platform that bridges the gap of distance and allows investors to jointly own stake in funds with other investors, with every investor having various sizes of funds invested in the various Solomartel funds.

However, this solution proposed by Solomartel was made possible because of the availability of the internet. Now, with the advent of the internet, most customers can be served/assisted at a distance without live involvement while also having access to shareable funds resulting in lower barrier of entry.

#### **V. PHYSICAL PRESENCE AS AN EXPANSION BLOCKAGE**

The impact of physical presence in the coordination of property investment activities has over the years hindered the rate at which investors invest in real estate from foreign countries. This has somewhat made the few investors who are physically present in the market of their investment real estate to make large orders of the same properties. Thereby, limiting the number of local investors that can invest, cutting out foreign investors because of their location and resulting in higher costs.

This factor is among the many that blocked the expansion of many local and midsize real estate investment funds as its customer base was relatively limited even despite the ever increasing ordering made by telephone calls, investment in the late 80s was still limited to only a limited regional or countrywide base of investors.

Through its use of the internet and the creation of small orders that can be shared as part of big orders, Solomartel has encouraged local investors who do not have the capacity to purchase and make large investments in properties upfront to invest by creating shareable small investment orders.

Alternatively, they have also allowed foreign investors to invest in their foreign market of choice abroad solving their problem as interest in other countries has been hindered by distance. Thus, resulting in low-cost blocking expansion.

#### **VI. INVESTING FROM THE OTHER SIDE OF THE WORLD**

Considering the fact that real estate is not a liquid asset, it often comes with the burden of requiring the owner to be directly involved in it for a number of years, unlike, for example in the case of the speculative investment in cryptocurrency, this has created a form of barrier for investors, limiting their choice of investment in places outside their country of residence. Before, investment in real estate was possible only locally, in the case of Solomartel for instance, real life assistance required physical presence

of the clients lowering the number of potential investors for a given market who needed to be physically present for the investment to take place.

With online service, the same firm is now able to offer real estate investment opportunities to clients all around the world by creating a collection of financial investments known as portfolio.

In the case of Solomartel, when assembling an investment portfolio, Solomartel offers a regulated service of sourcing and negotiating properties for investment and in turn, places them under contract which makes investment in properties easier for investors across the globe, eliminating the usual risks associated with real estate investments.

#### **VII. CENTRALIZATION LEADING TO MONOPOLIES AND OLIGOPOLIES**

Despite the opportunities digitization has presented to real estate investment, it is also creating an avenue that is driving towards the centralization of the real estate industry. This is because managing large real estate funds cost much more in the past, Scaling was a difficult operation for investment funds. Thus, making the few firms that can withstand the hit of expansion within the industry collude to form oligopolies.

The linear opening of new funds and projects required an exponential increase in staff to service and increase the narrow customer base.

Investment funds required access to large amounts of capital in order to grow and open new funds. Firms within the industry now have to raise large amounts of capital to have significant influence in the industry because other firms like Blackrock have been using their large sizes and good reputation to bring more investors to their firm and increasing their capital base.

Thus, only a few corporations with large amounts of liquidities were able to expand. Most of them being owned or managed by large banks and venture capital firms with the notable exception of Berkshire Hathaway.

Also, many companies could simply not expand in such a manner which led to the investment industry at national and worldwide level mostly being controlled by a few major players leading to oligopolies. Other firms which lacked the capital were condemned to remain local businesses.

With the digitization of the internet, generation of capital is no longer a problem for firms that have been able to make the most out of digitization, but it serves as an exit route for firms that are still struggling to use digitization to their business advantage.

## VIII. CONCLUSION

The digitization of our world has changed different aspects of our lives and how businesses are being conducted around the world.

According to United Nations World Investment Report (2017), “the transition to a digital economy can provide new opportunities for business and entrepreneurial activity, and new avenues to access overseas markets and to participate in global e-value chains.”

Solomartel is a great example of how digitization has changed the face of property investment and created new opportunities for investing in real estate by reducing barriers of entry, cost blocking expansion for both local and foreign investors, eliminating the constraints of real-life assistance caused by distance and provision of a shareable means of meeting the demands of private and public investors.

All of it while providing custom approaches to how property investment activities is being conducted through digitization, Solomartel has grown to be the face of digitization in the real estate investment world.

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