



From background noise to market mover



With regulators around the world catching up with the rise of the retail investor, Mark Hayes considers the decade ahead and equips IROs with tools to stay ahead.



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For much of the modern era in finance, retail shareholders were an afterthought. They were perceived as small, dispersed, excitable, and – most importantly – ignorable. IROs catered to institutions; households sat in the back row. That model is gone. The caricature has collapsed. In the past five years, technology, regulation, and culture have thrust individuals to the market's center. Commission-free trading, fractional shares, social media coordination, and regulatory changes around the world have democratised access.

For issuers, the implications are profound. Retail is no longer background noise. It is a strategic stakeholder group enabled through technology – capable of stabilising or destabilising markets, amplifying governance reforms, or driving speculative frenzies. The central lesson is paradoxical: retail is both ballast and accelerant, both stabiliser and disruptor. For IROs, the task is not to resolve this duality but to manage it – systematically, strategically, and at scale.

Retail on the rise

The transformation of retail investing is not a story of anecdotes – it is structural. According to Gallup (2025), 62% of US adults now own stock, the highest share in two decades, contributing billions in daily traded value but also playing a decisive role in valuation surges (Tesla) and in governance contests at mid-cap firms, where small shifts in turnout determined outcomes.

Meanwhile in France, the market regulator Autorité des Marchés Financiers logged 800,000 individual traders in a single quarter in 2024, more than double the pre-pandemic average; in China individuals drive four-fifths of equity turnover – defining not only trading volumes but also the tone of market

sentiment; and in India, households now own roughly a quarter of listed equities, up sharply from a decade ago.

This breadth marks a fundamental shift. Retail participation is no longer cyclical froth, it is a durable, global feature of modern markets.

Regulatory tailwinds

If technology brought retail to the table, regulation is securing their seat. In the US, the SEC adopted universal proxy rules in 2022 to allow split votes across slates, lowering barriers to retail influence; in 2024, the T+1 settlement shortened the window for record-date risks, giving retail investors more certainty in proxy participation; and in 2025, limits were eased on closed-end funds investing in private vehicles – with State Street estimating that more than half of private-market inflows will come through them by 2027.

To top it off, BlackRock and Vanguard are currently running pass-through voting pilots – returning proxy power to millions of households. If scaled, this could upend proxy solicitation strategies.

Across the pond, the UK's Consumer Duty is compelling firms to deliver demonstrably better outcomes for retail – and the regulators are opening corporate bond markets to households, expanding asset class participation.

Meanwhile the EU's Retail Investment Strategy is harmonising disclosures and lowering cross-border frictions; expanded NISA accounts have triggered a surge in retail activity in Japan, with household participation at historic highs; and tax incentives and digital brokerages have contributed to the continued rise of retail participation in India.

The direction is unmistakable: rights are expanding, frictions are falling, and oversight is tightening. But empowerment is not the same as benefit. The next issue is whether retail capital is good – or costly – for issuers.

Good capital, costly capital

Retail ownership brings both opportunities and risks, often in the same month. Firms with strong retail bases enjoy more stable demand in secondary offerings and dividend reinvestment plans, and a broad household participation

THE RETAIL PARADOX QUADRANT

Retail investors are not one bloc. They vary in motivation, horizon, and engagement. The Breakwater Capital Markets Retail Paradox Quadrant helps identify four archetypes:

Anchors

Long-horizon investors holding via ETFs, DRIPs, or retirement accounts. They supply legitimacy, dampen volatility, and provide steady demand in secondary offerings.

Amplifiers

Momentum-driven traders, often organized via social platforms or reacting to viral narratives. They can push valuations far above fundamentals or trigger sudden collapses. The GameStop saga and AMC 'apes' exemplify this cohort.

Advocates

Governance-minded shareholders who file proposals, push ESG agendas, and engage in dialogue. When engaged seriously, they can enhance accountability and legitimacy.

Absentees

Passive holders who rarely vote or engage, leaving boards vulnerable in close contests where small changes in turnout matter.

Most issuers host all four groups simultaneously. The 'good or bad' verdict depends less on retail in general and more on which archetype dominates in a given moment.

enhances reputational legitimacy – particularly in regulated sectors like energy or utilities. It can also lead to higher support for ESG-related proposals – broadening accountability beyond short-term financials.

However, meme-stock surges illustrate how retail attention can inflate valuations away from fundamentals, leaving firms exposed to corrections. Traditionally retail-heavy firms often attract thinner analyst coverage too, raising debt costs due to perceived information asymmetry. There is also an operational burden. Engagement is costly. Firms must manage communications across brokers, apps, and social media, while ensuring no selective disclosure. The compression of proxy timelines under T+1 leaves little margin for error.

The duality is stark: retail can be a reservoir of loyalty or a source of destabilising frenzy. Looking forward, the dynamics may intensify as new regulatory and technological scenarios emerge.

Future scenarios: what if?

The next decade is likely to surprise public companies as much as the last one did: regulatory breakthroughs, such as abolishing the US pattern day-trading rule could unleash a wave of high-frequency retail activity; and universal pass-through voting could make proxy advisors less central, forcing issuers to persuade millions of individuals instead of a few institutions.

As for technological disruption: AI-personalised disclosures could become mandated, requiring issuers to communicate different narratives to retirees, day-traders, and ESG advocates simultaneously; and with apps already nudging trading behaviour via predictive analytics – regulators may intervene – meaning issuers will need to adapt.

The most radical risk however is fragmentation: millions of micro-segments each demanding tailored communication, each with the ability to mobilise instantly via digital platforms. But with that comes opportunity: firms that master AI-driven segmentation and compliance-proof disclosure could turn volatility into loyalty.

If these scenarios materialise, the task of IR will shift again from one-to-many broadcasting to one-to-one segmentation at scale. Which raises a pressing operational question: how should IROs prepare today?

Strategic imperatives for IROs

The retail paradox cannot be ignored. It must be managed through deliberate systems and strategies.

Monitor

Build dashboards integrating broker and exchange data to track retail flows in real time, and map investor cohorts into the Retail Paradox Quadrant (left), updating regularly as sentiment shifts.

Engage

Communications should be tailored: 'anchors' value consistency, 'amplifiers' require myth-busting, 'advocates' expect genuine dialogue, and 'absentees' respond to nudges. Disclosures must also now reach retail investors via apps, brokers, and social platforms without fragmenting the message.

Govern

Prepare for a higher retail turnout and a reduced reliance on proxy advisors, and design campaigns that combine rational appeals with emotional resonance – as retail decisions are often narrative-driven.

Measure

Define KPIs to track retail influence, such as turnout rates in proxy votes, percentage of disclosures accessed via mobile, or concentration of float by top brokers. Benchmark against peers to understand where retail engagement strengthens or weakens the capital structure.

These imperatives convert the paradox into a manageable system – turning retail from a threat into a source of legitimacy, liquidity, and loyalty. But the scale of the challenge will only grow.

By 2030, individuals may own more than a third of global equity float; they may cast more proxy votes by mobile phone than institutions submit through advisors; and retail activism could rival large institutions in its capacity to shape governance outcomes.

For IROs, the lesson is plain: retail investors are not saints or saboteurs. They are unavoidable. Companies that thrive will not be those who fear retail, but those who learn to manage its paradox – anchors, amplifiers, advocates, and absentees – one disclosure, one vote, and one KPI at a time. ■