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Explaining Trader Popularity in Copy Trading Platforms

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Abstract

The diffusion of digital investment platforms has reshaped retail investors' behaviour, fostering participation based on social interaction. Copy trading platforms represent a distinctive environment where users rely on publicly available signals to select and replicate traders' strategies. Despite growing attention, empirical evidence remains limited on how informational cues influence imitation dynamics and the evolution of trader popularity over time.

This study investigates how informational signals on copy trading platforms influence imitation behaviour among retail investors and shape trader leaders' popularity. The objective is to provide a quantitative assessment of how different categories of platform-based information influence the development and progression of imitation dynamics in copy-trading strategies.

Using data from the eToro platform, the analysis is conducted on a sample of 200 trader leaders and considers the cumulative number of copiers and short-term changes in popularity as dependent variables. OLS regression models estimate the extent to which different categories of information signals explain imitation behavior and whether their influence varies across portfolio structures.

The results show that aggregate popularity is mainly associated with visibility signals, whereas short-term changes in copying behaviour are driven by performance and risk, indicating distinct mechanisms of imitation.

These findings contribute to the literature on digital finance by clarifying how heterogeneous informational signals shape imitation processes and by offering a more granular analysis of coping investor behaviour. They also offer implications for investors, platform managers, and policymakers concerned with behavioural dynamics in online investment settings, highlighting how platform information structures shape copying decisions and investor responses.

Keywords: Copy trading platforms, informational signals, imitation behaviour, retail investors.