

# ARE ANALYSTS AND INVESTORS ENGAGING WITH NEW MEDIA?

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## Research summary

- Online survey by Brunswick Research of 448 equity analysts and institutional investors covering all main regions of the world.
- “New media” defined as blogs, message boards and social networking services.
- Mix of multiple choice and open-ended questions relating to analysts’ usage of new media.
- Additional qualitative interviews with more than a dozen analysts and investors.

In June 2009 a United States-based equity analyst decided to explore a new channel for his research. Unconvinced by Starbucks’ continuing denial that competition from McDonald’s expanded McCafe rollout was a threat to its business, he wrote to Jim Romanesko, a well-known journalism scholar and editor of the independent blog [starbucks-gossip.com](#).

The sell-side analyst asked Romanesko to post a question for readers, typically Starbucks employees and customers, saying, “I’d love to get everyone’s take on whether the McCafe launch has hurt or helped recent business trends at Starbucks.” His inquiry drew more than 50 comments, a relatively high number on this site and enough to serve as an informal online opinion poll.

Blogs already influence consumers and are enormously powerful in political circles, while across major markets we have seen the way in which new media informs the opinions of financial comment writers. What we wanted to do was track more clearly new media’s effect on investor sentiment and opinion. Certainly, the hype surrounding blogs, message boards and social networking services (Facebook, LinkedIn, Twitter, among others) would lead many to believe that it is influential. Yet evidence of new media’s value to analysts and investors has been anecdotal at best.

We therefore decided it was time to capture data on the topic and set out to identify which information sources, including new media, were having the greatest impact on investment recommendations and decisions. Our survey of sell-side analysts and buy-side institutional investors across the US and Europe included 448 participants widely distributed across geography, industry sector and age group (see page 28).

## The old way remains the trusted way

Perhaps paradoxically, given our interest in uncovering the influence of new media, we found the old way remains the trusted way for the investment community. Information directly from

companies (i.e. conversations with management, regulatory filings, company announcements, corporate websites, etc.) was by far the most important source of data influencing an investment decision or recommendation. Notwithstanding the current mood of corporate mistrust, the survey affirmed the significant value of direct communications with companies and their management teams. In total, 55 per cent of the analysts and investors indicated this was their most influential source. It also demonstrated that other information mainstays remain important, with primary research and real-time subscription information services (Bloomberg, Reuters, among others) ranking high with investors and analysts.

The investment community nevertheless has shifted to online sources of trusted, established media for timely access to news and away from a reliance on traditional print versions of business publications, according to the survey. Consistent with reports of declining subscriptions to print media, online versions of traditional media are considered by 38 per cent of respondents to be in the top three information sources, versus 27 per cent for print. The online versions of these publications became increasingly important over the last year.

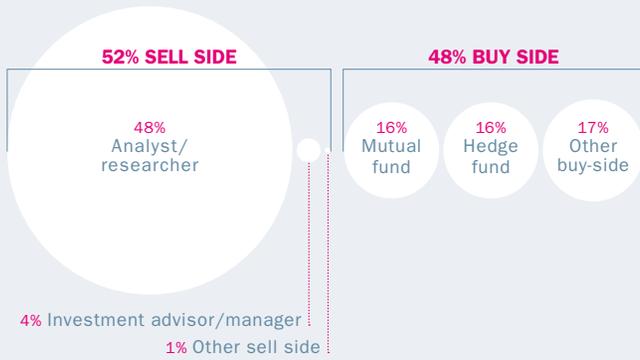
European analysts and investors are more likely than their US counterparts to read news in print, and less likely to use new media.

## Trusted media brands still matter

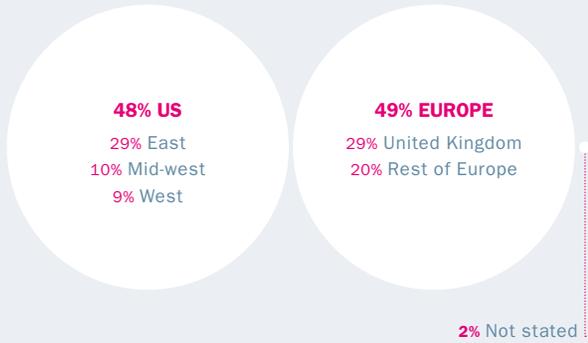
While analysts and investors are increasingly turning to the online outlets of traditional media brands ([wsj.com](#), [nytimes.com](#), [ft.com](#), among others) they are not yet turning significantly to new media, defined as blogs, social networks and message boards. Across geographies, analysts listed these sources as the least influential on their investment decisions. Those who do not use new media for work purposes argue that the information is not reliable or valuable. One US-based investor we spoke to said, “Using new media isn’t worth my time to derive what would be the 50th data point of incremental value.” 

## WHO THE RESPONDENTS ARE\*...

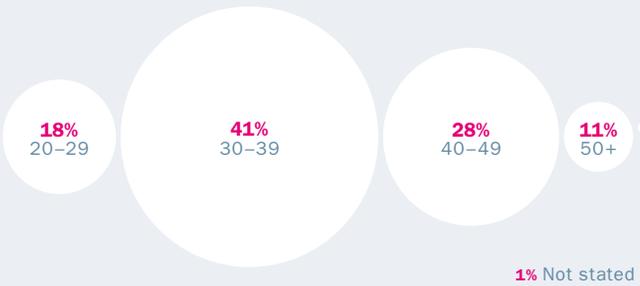
### ROLE



### PLACE OF WORK



### AGE

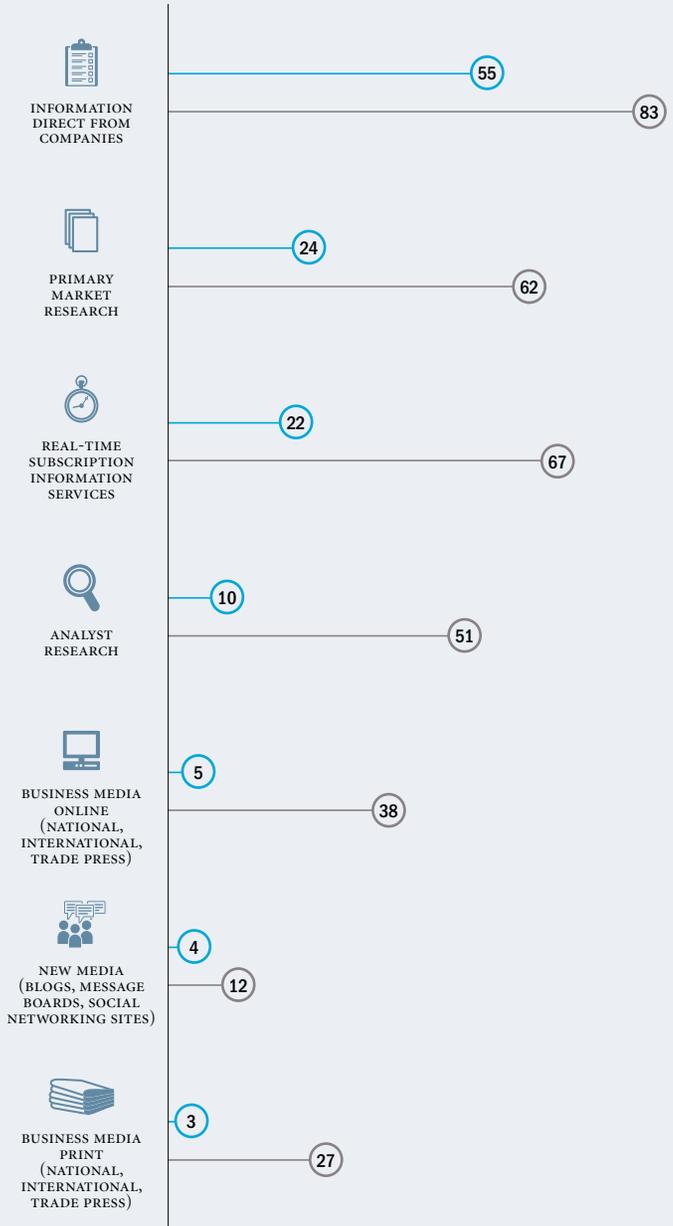


\* Numbers may not add to 100 due to rounding.

## ...AND WHAT'S IMPORTANT TO THEM

INFORMATION SOURCES (RANKED IN TERMS OF INFLUENCE ON INVESTMENT DECISIONS OR RECOMMENDATIONS)\*\*

- % RESPONDENTS' MOST INFLUENTIAL SOURCE
- % IN THEIR TOP THREE MOST INFLUENTIAL SOURCES



\*\* Some respondents ranked more than one source as most influential.

SOURCE: BRUNSWICK RESEARCH

Another, a US-based hedge fund investor, said, “The problem with new media is that the intellectual honesty of the source is unknown and there’s no fact checking going on.” The only blog this investor reads is one where its contributors are known financial experts.

According to our survey, most analysts and investors anticipate that new media will become increasingly important to investment decisions in the future, with US-based analysts and investors currently more optimistic about its future role than Europeans. As expected, age also colors opinions – the younger the analyst or investor, the more likely that he or she believes new media will play a greater role.

Among new media categories blogs are the most used medium for respondents, as well as the most likely to be a source of data points that leads to further research and ultimately an investment decision. One UK-based sell-side analyst said, “For me, there remains strong differentiation of new media between social networks and blogs run by professionals. The latter sounds interesting if run by someone influential or considered to have good knowledge.” One in five has made an investment decision or recommendation after initially sourcing information from a blog, which led them to conduct additional research. Conversely, social networking services are infrequently referenced and much less used for investment decisions or recommendations. One US-based hedge fund investor said, “I use Facebook all the time, just never for business.”

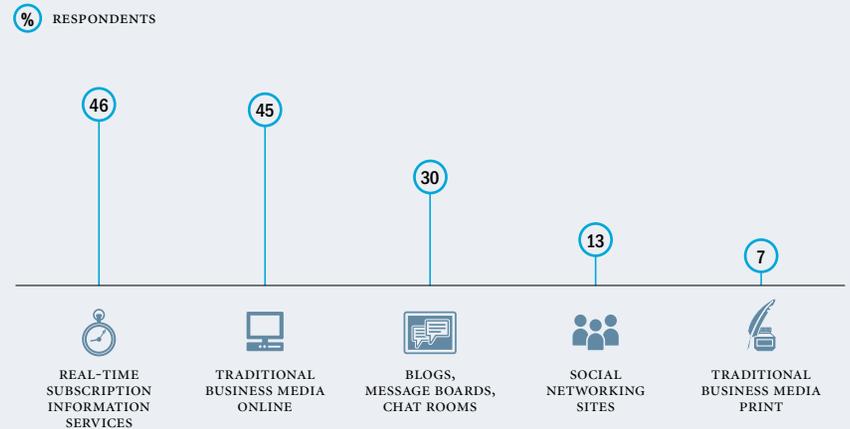
### The message for communications

We believe the findings have important implications for corporate communications and investor relations. They emphasize, for example, why companies should never underestimate the influence on the investment community of information that they communicate directly. Companies should constantly review the allocation of resources, both time and financial, to different channels, and remain open-minded about the appropriate split.

It is not only that analysts and investors want their information primarily from companies. Direct communication gives companies greater opportunity to manage their own reputations by providing maximum control of the message and information flow. Direct communication, moreover, should no longer be seen as just meetings and speeches. Companies’ own digital content can be much more powerful than online news and views, notably those expressed on blogs that lack authority and brand recognition and that therefore do not in most cases influence major investors.

## THE SHIFT IN SIGNIFICANCE

INFORMATION SOURCES THAT HAVE BECOME MORE IMPORTANT IN LAST YEAR\*\*\*



\*\*\* Some respondents indicated more than one source; 32 respondents did not give an answer.

At the same time, with the acknowledgement that new media’s influence will become more important, the growing power of the new channels is indisputable. Companies should not be timid. Corporate blogs and wikis<sup>1</sup>, for example, present new opportunities for the company’s voice to be heard beyond traditional media and to deliver unique content to important audiences. Analysts and investors may still largely distrust many of the new sources, but the traditional publications in print and online that they do turn to scrutinize news leads and often follow up those that turn out to be reliable.

While the survey’s findings contain a hint of changes to come, the investment community is sending a reassuring message to the C-suite: companies are in charge of their reputation destiny and will enjoy a significant return on investment if they direct resources to the development and delivery of substantive corporate content for investors and analysts. 📌

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AMONG NEW MEDIA CATEGORIES BLOGS ARE THE MOST USED MEDIUM FOR RESPONDENTS, AS WELL AS THE MOST LIKELY TO BE A SOURCE OF DATA POINTS THAT LEADS TO FURTHER RESEARCH AND ULTIMATELY AN INVESTMENT DECISION

<sup>1</sup> A collaborative website which can be directly edited by anyone with access to it.