

FACE TIME RATHER THAN FACEBOOK STILL DRIVES INVESTMENT DECISIONS

— AMANDA DUCKWORTH, BRANDON BORRMAN AND JASON GOLZ
BRUNSWICK, SAN FRANCISCO

— ANDREW GUNN, BRUNSWICK RESEARCH, LONDON

- ✦ This is the second annual Brunswick Digital Media Survey.
- ✦ An online survey by Brunswick Research of 401 buy-side investors and sell-side analysts in Europe and the US.
- ✦ Research conducted during July and August 2010.

In July 2008, eBay became one of the first examples of a publicly traded company using Twitter as a way to reach investors.

Led by Richard Brewer-Hay, the company's lead blogger, and its IR team, eBay delivered a play-by-play account of the management's second quarter 2008 conference call with analysts and investors via Twitter. The corporate blogger believed the value added would be found in his ability to extract key kernels of information from management's prepared remarks and the live question and answer session with analysts.

Several months later, Brewer-Hay took part in a panel discussion with Brunswick, focusing on the value of social media as a tool for investor relations. Brunswick's Digital Media Survey for 2009 had found information direct from companies was the most influential factor for institutional investors when making investment decisions. Participants discussed whether that category included company-sponsored blogs and Twitter feeds.

This conversation prompted our team to repeat the survey in 2010 to see what, if anything, had changed regarding investors' use of digital media. Were investors and analysts tapping digital media more often to help make investment decisions?

The power of direct interaction

Consistent with our findings in 2009, in our latest survey a full 50 per cent of respondents said direct interaction with management is the most influential source of information from companies when making an investment decision or recommendation. Only 1 per cent said a company's digital media presence was the most influential source, one percentage point fewer than those who pointed to the influence of a company's website.


The picture did not radically change when participants were asked to name the top three most influential information sources. Digital media presence

again remained at the bottom of the list, with 1 per cent of those surveyed placing it in the top three, while a company's website was in the top three with 12 per cent of respondents.

In fact, traditional methods of investor communications dominated the response to our question. News releases, presentations and regulatory filings were in the top three of at least half of all survey participants. Conference calls and webcasts were picked by 62 per cent and, perhaps unsurprisingly given its frequent appearance in the top spot, management interaction was in the top three with 73 per cent of responses.

Consistency of influence

The answers to this question were consistent with the results of the overall survey, which saw little major change from the 2009 results. Information direct from companies remains the dominant source of influential information. If anything, it has increased in importance, with 52 per cent indicating it as the single most influential source against 44 per cent in 2009, and 84 per cent including it in their top three, up from 73 per cent the prior year. Real time subscription services, such as Bloomberg and Reuters, also saw a statistically significant increase, with 64 per cent placing them in the top three, up 5 per cent in 12 months.

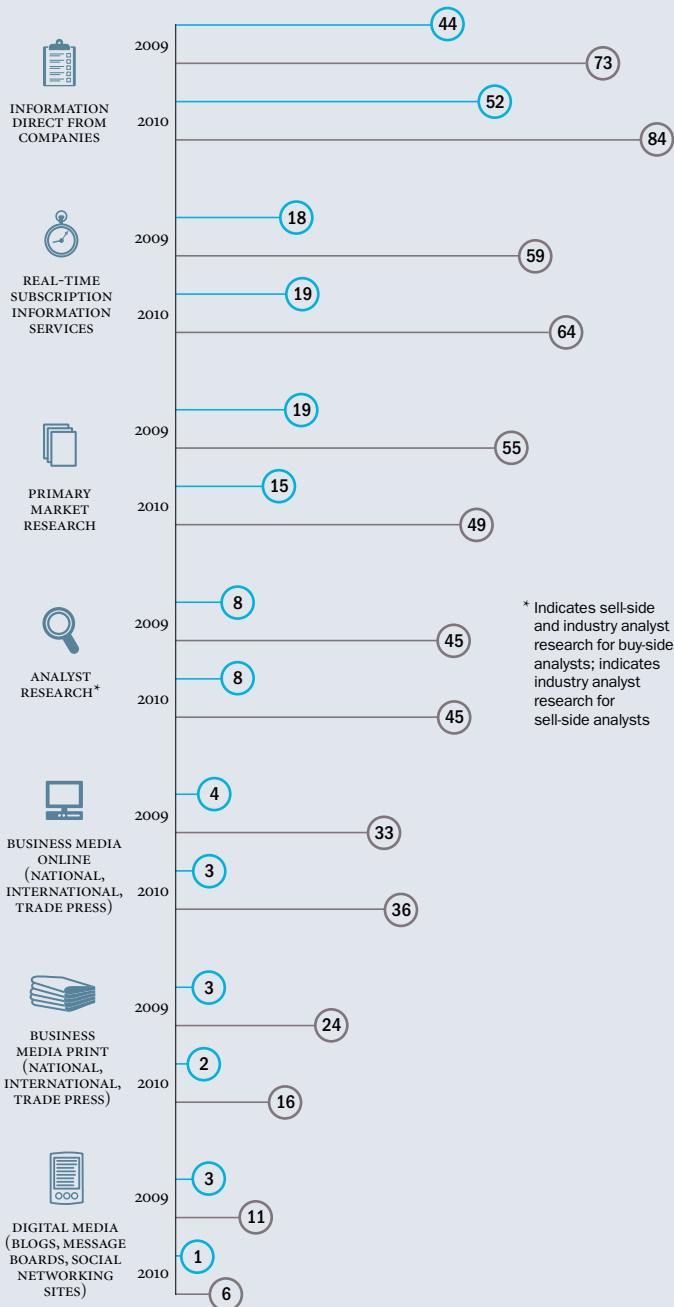
On the other hand, the influence of print media on investment decisions continues to decrease, perhaps replaced, in part, by the growing influence of real-time subscription services. In 2010, print media saw an 8 per cent drop, with only 16 per cent of respondents naming it as a top three source of influential information. Digital media, too, saw a decrease in its apparent influence on investment decisions, appearing in the top three of only 6 per cent of those surveyed, down from 11 per cent in 2009. 

INFLUENCE OF INFORMATION SOURCES ON INVESTMENT DECISIONS

RESPONDENTS IDENTIFIED INFORMATION DIRECT FROM COMPANIES AS THE MOST INFLUENTIAL FACTOR IN THEIR INVESTMENT DECISIONS. THIS HAS INCREASED IN IMPORTANCE SINCE LAST YEAR. REAL TIME SUBSCRIPTION SERVICES AND PRIMARY MARKET RESEARCH ARE THE NEXT MOST INFLUENTIAL SOURCES

1. SINGLE MOST INFLUENTIAL INFORMATION SOURCE

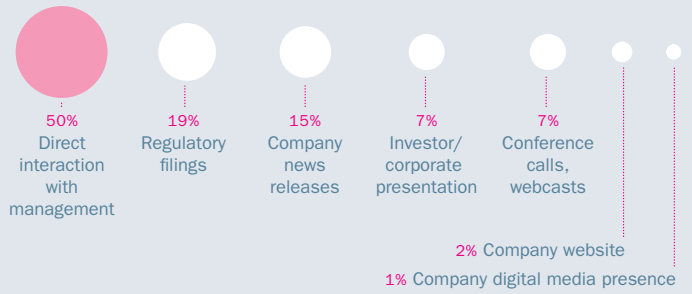
2. RESPONDENTS WERE ALSO ASKED TO GIVE THEIR TOP THREE INFLUENTIAL INFORMATION SOURCES



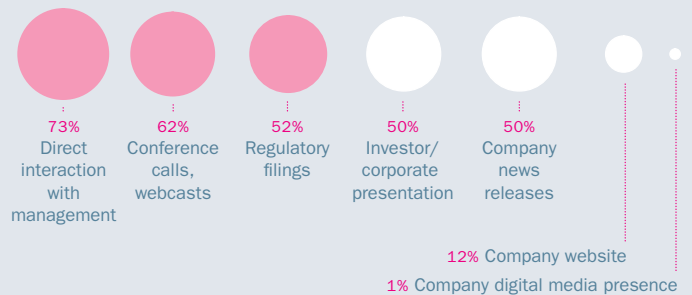
INFLUENCE OF INFORMATION FROM COMPANIES

IN TERMS OF INFORMATION FROM COMPANIES, DIRECT INTERACTION WITH MANAGEMENT WAS IDENTIFIED AS THE MOST INFLUENTIAL. REGULATORY FILINGS, COMPANY NEWS RELEASES AND CONFERENCE CALLS ARE OF SECONDARY IMPORTANCE

1. SINGLE MOST IMPORTANT INFORMATION SOURCE DIRECT FROM COMPANIES



2. RESPONDENTS WERE ALSO ASKED TO GIVE THEIR TOP THREE INFORMATION SOURCES



RESPONDENTS IDENTIFY INFORMATION DIRECT FROM COMPANIES AS THE MOST INFLUENTIAL FACTOR IN THEIR INVESTMENT DECISIONS. THIS HAS INCREASED IN IMPORTANCE SINCE LAST YEAR

A unique role for digital media

Interestingly, while digital sources may not yet have a significant direct effect on investment decisions, they are becoming increasingly important as sources of information that lead to further research. As with last year, blogs continue to lead the charge: 52 per cent of respondents have read a blog post that has led them to further investigate an issue, up 5 per cent from 2009. There was a similar three-percentage-point increase in the number of those who were prompted to further investigation by a posting on a social media site, such as Facebook. The only category to see a decrease was message boards, dropping from 39 per cent to 31 per cent, but this is likely explained, in part, by the inclusion of a new category in this year's survey: micro-blogging services such as Twitter, where posts prompted 11 per cent of respondents to do additional research.

Lessons for application

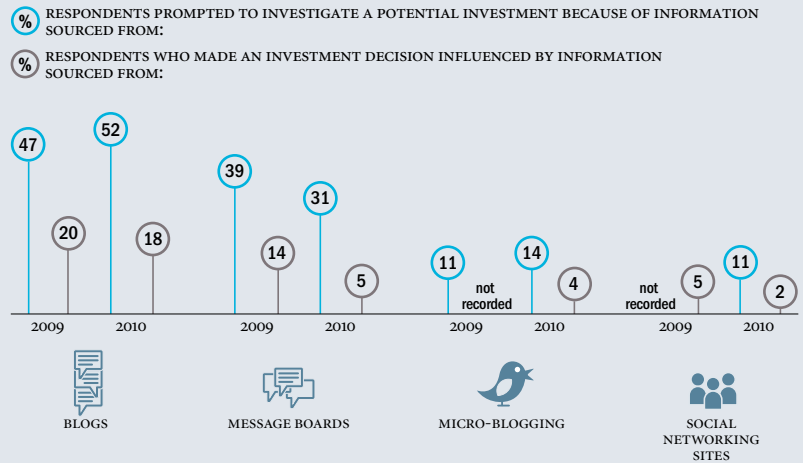
If anything, the findings from the 2010 survey amplify the implications of 2009's. The influence of communications direct from companies on the investment community should not be underestimated.

While the apparently limited influence of digital media controlled by companies may give pause for thought, we do not believe it should dissuade investment of time and resources in new channels of communication. In fact, the participants in the survey bear this out. A full 60 per cent believe it will play an increasingly important role in investment decisions in the future. The increasing reliance on digital media as sources for information that leads to further research is likely to be the proverbial "tip of the iceberg."

Familiarity with new channels will continue to develop over time, and companies will be able to trade upon the trust and understanding they have built with the investment community to engage in new conversations in new ways through digital channels. Though the transition will take time, we believe innovative approaches, such as those undertaken by Brewer-Hay at eBay, will become the rule rather than the exception. 📌

Amanda Duckworth is a Partner and **Brandon Borman** and **Jason Golz CFA** are Directors in Brunswick's San Francisco office. **Andrew Gunn** is a Director in Brunswick's London office and a member of Brunswick Research, the firm's opinion research practice.

BLOGS HAVE BECOME INCREASINGLY INFLUENTIAL OVER THE PAST YEAR, IN TERMS OF PROMPTING INVESTORS AND ANALYSTS, TO INVESTIGATE AN ISSUE. MESSAGE BOARDS HAVE DECLINED IN IMPORTANCE IN THIS ASPECT, AS HAS THEIR INFLUENCE ON INVESTMENT DECISIONS



CHANGING IMPORTANCE OF INFORMATION SOURCES

REAL TIME SUBSCRIPTION INFORMATION SERVICES WERE CITED BY MORE THAN HALF OF RESPONDENTS AS HAVING BECOME MORE IMPORTANT IN THEIR WORK OVER THE PAST YEAR. ONLINE BUSINESS MEDIA HAS ALSO BECOME MORE IMPORTANT, BUT TO A LESSER EXTENT THAN IN 2009

