

# AAll Readers Look Past Social Media as a Research Tool

For do-it-yourself investors, investment analysis may include combing over earnings releases, quarterly and annual reports and analyst research. However, forming our opinions of a security is only half the battle; the other half is understanding the market's perception of the security—and how that perception manifests itself in the security's price.

While many of us are familiar with social media as a way to keep up with friends and family, some investors use social media as a tool for gauging the perceptions of others, specifically the feelings investors have about a particular stock or bond.

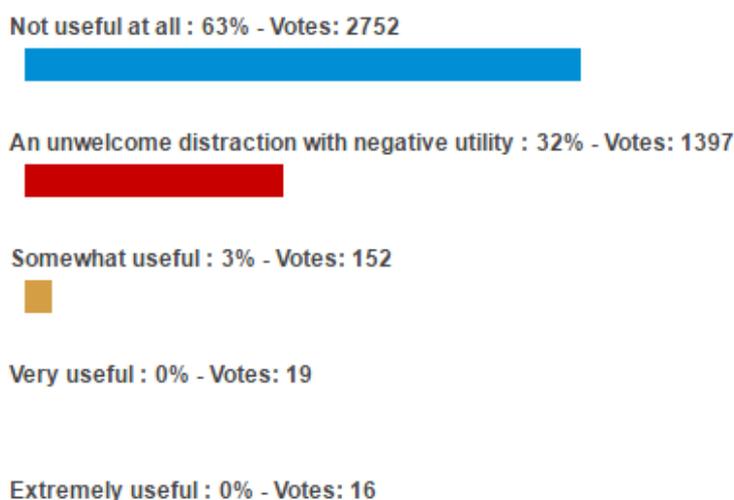
## AAll Weekly Survey Question

To see how important social media is to their investment decision-making process, we posed this question to our readers:

***How useful are social media channels, such as Twitter, in your investment decision-making process?***

Here is how they responded:

**How useful are social media channels, such as Twitter, in your investment decision-making process?**



Out of the 4,336 readers who responded as of Monday morning, December 19, less than 5% (4.3% to be exact) believe that social media has some level of usefulness in the investment decision-making process. Roughly 95% indicated that social media tools, such as Twitter, are not useful and are even counterproductive.

## Weekly Special Question

To gain better insight into what our readers perceive as the biggest advantages and disadvantages of using social media platforms as part of the investment research and analysis process, our latest special question asked:

***What do you consider to be the biggest advantages AND disadvantages to investment research from social media investment platforms such as StockTwits?***

Surprisingly, nearly 28% of the respondents said they do not use any form of social media, let alone for investment research.

Generally, speaking, the comments about social media as an investment research tool skewed negative, which isn't surprising given the poll results we mentioned above.

The biggest disadvantage readers stated about using social media for investment research is the reliability. Nearly 60% of those offering disadvantages said that, with social media, you don't know the expertise of the poster or their motivation for posting.

Ten percent of those citing the negatives to social media as an investment research tool warned against the herd mentality that can be on display.

Another 9% worried that the people posting could be involved in a scam such as "pump and dump" and the same number said the information posted on social media investment platforms is mere noise and doesn't add anything meaningful to the investment research process.

On the positive side of things, 48% of the advantages of social media cited finding new investment ideas for further research. Another 24% said one of the advantages of social media is the timeliness of the information. Finally, 10% said that social media is often the only source for thinly-traded stocks.

Here is a sampling of the responses:

- "Front running bogus tips and recommendations, aka 'Pump and Dump'."
- "Advantages-For thinly traded stocks, with no analyst studies, it may be the only place you can get some news about the stock that is not being published elsewhere."
- "Advantage - It brings new possibilities for review."
- "The reader has no idea what the qualifications are of the writer."
- "How can you be sure of the reliability."

- “It gives you a different view.”
- “My personal research by using Stock Investor Pro data to examine past companies abilities to improve and make money.”
- “Insight into the herd.”

***Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at <http://www.aaii.com/memberquestion>.***