CORPORATE FORUM

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**WHY TALK TO BROKERS:  LESSONS LEARNED**

Quick, what's the one purchase where retail buyers have an advantage over buyers who purchase in bulk? Paper clips, cars, can openers?  The answer: Yes and no. No if you're buying the product — but yes if you're buying shares in Staples, Ford or Target. Retail investors, who purchase smaller share lots, get a better price in the stock market than do institutional investors. The average size trade on the NSYE is 225 shares, and it's 244 shares on Nasdaq. This means an institutional trader, trying to execute a 250,000-share order, is going to have a meaningful impact on price. An institutional buyer will force the price higher, and a seller of a large block is going to pressure the price down. But a retail investor, trading a few hundred shares in a stock, will not.

There are other lessons to be learned from retail investors. Retail investors, including stockbrokers, financial planners and other registered representatives, are not measured on quarterly performance and therefore could care less about short-term price movement and more about long-term investment performance.

Retail investors also have the luxury of investing where their interests lead. They are not constrained by working on a mutual fund whose by-laws may specify small-cap semiconductor capital equipment shares only or dental prophylaxis. Rather, the retail investor, who represents some group of individual investors, may choose to invest in areas which the rep, or the clients, find of interest.

Which leads to point three: Retail investors are not specialists, but they are smart. Because they bring real-world experience to the investing table, they want to understand how the product, strategy and financials tie together. Whereas institutional investors can sometimes focus on the tree at the expense of the forest—and sometimes the leaf at the expense of the tree, "now that you are reporting adjusting earnings on a fully-taxed basis, can you provide the add-back for stock-based compensation?"—smaller investment advisors tend not to dwell on minutiae. They want to understand how the company has moved from losses to profits and what does that mean to the story going forward.

Point four: If institutional investors are known for going "long and loud," first establishing a position and then promoting it, retail investors are more willing to "talk amongst themselves." Investing is a social undertaking as much as it is a means to an end, therefore the retail investor is happy to discuss with fellow stockbrokers, peers and associates if a company story appears of interest.

The social piece is important for retail investors. They like a group setting, where they can hear from management, ask questions specific to their own interest, and listen to those of others within their community.

Bottom line: If your company is interested in a different audience, or if your management team is interested in a different conversation, think of how the retail community might view your story. While they may not buy in bulk quantities, stockbrokers, financial planners and other registered reps can have a positive quality impact.

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