Chapter 13

Conduct Surveys to Acquire Unique Insights

Introduction

Generating alpha requires possessing a unique insight. One of the best ways to achieve this is through a survey of industry experts or market participants. Unfortunately, it's also one of the most costly in terms of time and budget; conducting surveys should be approached with caution. The level of resources necessary for a survey is often dependent on how formal the survey is. It can be as simple as asking five buy-side colleagues, "Do you think the market expects this company to beat earnings this quarter?" or as complex as a 50-question online survey distributed to 20,000 industry experts. (But as discussed below, there should never be 50 questions long.)

Best Practices for Conducting Surveys

Based on a career that involved regularly conducting surveys, as well as input from others interviewed on this subject, here are the best practices I developed for formal surveys:

- A survey can be a lot of work. As such, make sure it's being conducted to answer questions surrounding a stock's critical factors, and can only be answered by polling multiple experts. If an analyst is trying to assess the likelihood of new legislation being passed that impacts a sector, the best answer can probably be obtained by speaking with two or three Washington experts, rather than conducting a survey.

- Decide who will manage the survey process; someone must take responsibility to ensure that it keeps moving along. The size and complexity of the survey will likely dictate which of these options is best:
  - The in-house equity research analyst responsible for the sector or company being researched.
  - An in-house resource dedicated to supporting analysts.
  - A statistician with expertise managing surveys including question construction and analyzing results. (This person can be hired through a college or network such as LinkedIn's Statistical Consultants group.)
  - A project manager from a full-service survey firm who can conduct the entire survey, from question creation to analyzing the results (try to find one that has expertise in *analyzing* results, as some are primarily software or online site designers with minimal statistics knowledge).
- Based on the decision made in the step above, budget time for all of the steps where involvement is required. The survey won't reach completion if it's treated as an afterthought.
  If conducting the survey on your own, ensure that time is scheduled in advance to analyze the output. We conducted two major surveys semiannually in my team for about seven years, and if we didn't block out two to three days (in advance) to compile and analyze the responses, we found ourselves pushing the publishing of the results out by a week or two later than we planned, which meant the survey wasn't as fresh.
- Determine where and how to find the potential sample respondents. Does a defined population of qualified

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