

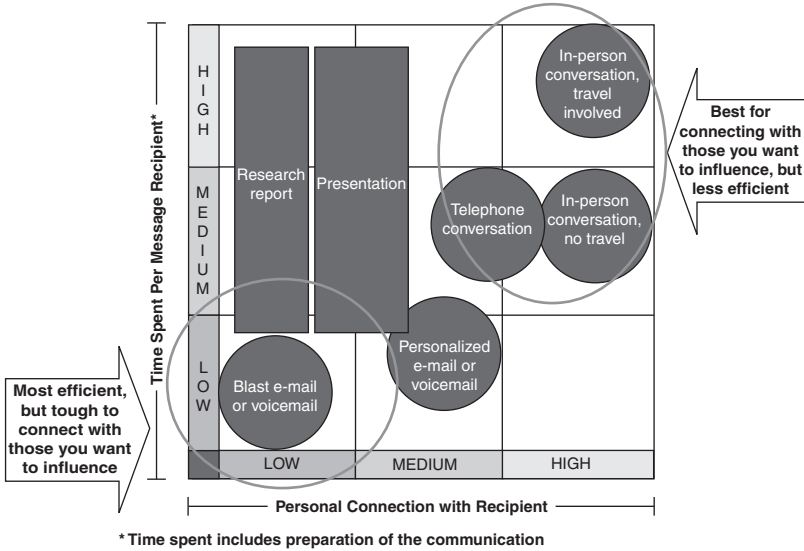
Chapter 24

Identify the Optimal Communication Channels

Step 2 of the overall communication process, which is *identify the optimal communication channel(s) to convey your message*, may seem like common sense. However, if you routinely communicate with a wide audience, it's important to select the channel that makes the best personal connection without consuming too much of your time. Exhibit 24.1 helps illustrate the ongoing challenge of communicating stock ideas: staying close to your colleagues and clients, while minimizing the amount of time required to do so. Finding the right balance is critical, especially as the number of people you need to influence (portfolio managers or clients) grows. If you're a sell-side analyst with the hopes of getting 150 firms to give you a strong broker vote or a buy-side analyst trying to impress 10 portfolio managers, you'll need to operate in many of the boxes below. As a general rule, you need to invest more personal time with someone early in your relationship in an effort to develop trust, before moving to less personal channels of communication.

Notice how research reports and presentations can be high in terms of time-spent-per-message-recipient, and relatively low in terms of personal-connection-with-recipient. In general, you don't want to invest significant time in either, unless you'll likely impact the majority of your target audience. There are exceptions, such as a new analyst initiating coverage for the first time (a lot of time spent, but likely few clients or

Exhibit 24.1 Communication Channel Trade-Offs When Presenting Stock Ideas



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colleagues reading the message), but in general, research reports should be created sparingly, especially long ones.

The primary reason that professionals prefer one-on-one conversations over all other forms of communication is, they can ask questions. Think about the last time your computer wasn't working properly. Did you want to reference the FAQ section of the company's website, or have a live conversation with someone who could help? It's for this reason that you want to make yourself available to the individuals you want to influence the most. Often, it's not how much you tell the person, but simply offering to be there to answer questions. Think of it as being the volunteer fire department that's always on call, but rarely gets activated. I'm not suggesting you should just sit at your desk waiting for your portfolio managers or clients to call, but don't feel like you need to be in their face 24/7 to add value. When one of the sell-side firms I worked for conducted buy-side client surveys, they found clients highly valued access to the sell-side analysts, but they didn't necessarily want proactive inbound calls.

Exhibit 24.2 highlights the pros and cons of each communication channel. Some of it may appear intuitive, but it's important to fully

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