

STRATEGIC RESEARCH

Targeting Retail Investors

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Executive Summary

Overview:

- Investor relations professionals spend a disproportionate amount of time focusing on institutional investors but should they also focus on attracting retail investors?
- Retail investors are growing in size, income and equity ownership and it's estimated that half of all households in the U.S. own equities.
- Given that many retail investors are long-term oriented, having a solid base of retail investors may help companies during periods of volatility.
- Also, communicating the importance of management proposals to retail investors may help influence how they or their shares are voted for during proxy season, thus increasing the importance of retail investors.

In this report, we provide an overview of the retail markets, the benefits and tradeoffs of retail outreach and the most effective strategies for targeting retail investors. In addition, we conducted a survey of 102 executives at U.S. companies about their viewpoints regarding retail investors.

Survey Highlights:

- 66% of respondents are from small and mid-cap firms and the majority (79%) are investor relations professionals.
- 67% of respondents believe that retail investors are a necessary or an important part of the investor mix.
- Nearly half of those surveyed seek retail investors for diversification and nearly a third view retail as long-term oriented investors.
- 24% believe that adding retail investors will reduce volatility associated with short-term hedge funds.

Benefits and Tradeoffs of Targeting Retail Investors:

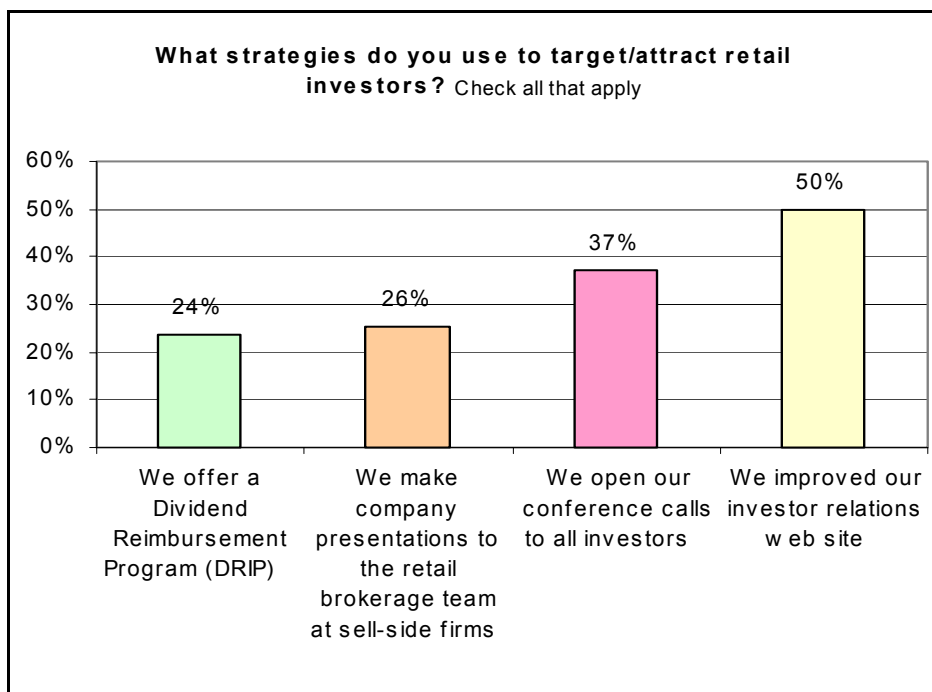
Benefits:

- *Investment power gaining in importance.
- *More than 91 million retail investors in the U.S.
- *Over \$6 trillion invested in equities.
- *Investment style - most are long-term oriented.
- *Retail investors tend to favor “easy-to-understand” stocks and stocks that pay dividends.

Tradeoffs:

- *Not as financially savvy as institutional investors.
- *Many require a lot of time and education.
- *Some have short investment horizons.
- *Minimal impact on stock and return on investment.
- *Risk of potential class-action lawsuits may increase.

Strategies Used Most Often to Target Retail Investors:



A Thomson Tip Sheet detailing how to build a retail investor base is included in the report.

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- Understand and explain what is driving valuation relative to your peers and to the overall market.
- Identify and target potential investors.
- Predict the reaction of your shareholders to corporate and market changes.
- Implement reliable, effective and compliant communications programs to reach and engage your internal and external audiences.
- Measure the effectiveness of your overall IR efforts

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