

# Twitter helps stock of lesser-known companies, study finds

April 15 2013, by Benjamin Pimentel

---



Twitter's reputation as a corporate communications tool took a beating lately with the high-profile hacking of the accounts of such companies and organizations as Burger King, Jeep and even the British Broadcasting Corp. But for lesser-known, lower-profile companies, Twitter has played the role of an equalizer, a way for them to more effectively communicate their message to Wall Street, according to a new study.

Companies that typically don't get much media attention, especially during earnings season, have been able to make up for that lack of exposure by communicating their information via [Twitter](#), the report said.

The study was conducted by professors from the Stanford Graduate

School of Business and the University of Michigan.

The professors, Elizabeth Blankespoor of Stanford and Gregory Miller and Hal White of the University of Michigan, "suspected that Twitter and other technologies were changing the old rules," a Stanford report on the study said.

"For the first time, companies could communicate with investors directly and instantly," the report said.

The research study said, "Anecdotal evidence suggests that Twitter is IR professionals' new technology of choice for breaking firm news."

The report debunks the assumption that markets immediately absorb all information that companies put out, the study found. In fact, most investors get their information from major publications such as [The Wall Street Journal](#) and Bloomberg, which also tend to focus on high-profile companies.

"Firms have generally relied on information intermediaries, such as the press, to disseminate firm-initiated information," the research study said. "Unfortunately, the press is biased toward coverage of high-visibility firms, as they tend to draw the largest readership base."

As a result, companies with lower-profiles "do not always reach the public in a broad and efficient manner," the study said.

Twitter, as well as other "direct-access" technologies, including Facebook, have helped narrow that gap. Specifically, using Twitter also has helped companies achieve more market liquidity for their stocks.

"We find that dissemination via Twitter during news event windows is associated with lower bid-ask spreads, greater depths and a higher

liquidity ratio after controlling for the information content of the news, the presence of information intermediaries, market conditions and firm-specific characteristics," the study said.

"This relation is muted, however, for high-visibility firms, which receive broad coverage already," the study continued. "Overall, these findings indicate that firms use Twitter to disseminate firm-initiated disclosures, and this dissemination helps reduce information asymmetry, particularly for those firms that are arguably most in need."

The research study was based on tweet data from 2007 through September 2009 for 102 [information](#)-technology companies.

(c)2013 MarketWatch  
Distributed by MCT Information Services

Citation: Twitter helps stock of lesser-known companies, study finds (2013, April 15) retrieved 26 April 2024 from <https://phys.org/news/2013-04-twitter-stock-lesser-known-companies.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--