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Mashing Up Wall Street

Financial firms are finding commercial uses for formerly “social” technologies as cost-effective and direct tools for collaboration and communication. By Penny Herscher, president and chief executive, FirstRain

Web 2.0 has transformed the way people interact with information and with each other.

This latest generation of technologies—RSS, wikis, blogs, Web APIs, specialized search and other social software services—are moving beyond the consumer aspects of social networking and entertainment, and are establishing a solid base within corporate walls.

Financial institutions are rapidly embracing Web 2.0, adopting these applications and services into their strategic mix. The key forces at work are pressure to be competitive and engaged with key stakeholders; pressure for market efficiency within an increasingly chaotic information market; and accelerating information lifecycles.

As a side effect of the collaborative and communal nature of the new technologies, they also support an increased focus on transparency.

The three most common Web 2.0 tools in use today are RSS feeds, wikis, and blogs. These tools allow stronger interaction with clients and employees, making for improved partnerships, quicker information dissemination, increased productivity and faster problem solving.

While most financial firms currently use RSS, blogs and wikis internally, there is also a steady rise in their use for outbound communication. Firms are deploying podcasts, video and streaming media for corporate messages and to educate prospective clients. For example, Gartner hosts blogs authored by analyst teams as well as podcasts and streaming media from conferences for its clients. Wells Fargo hosts both internal and client-facing blogs, while TD Ameritrade teamed with outside vendors to deliver blogging tools that allow clients to review market commentary and conversations between Wall Street analysts.

These thought leaders are pioneering how social media and Web 2.0 technologies can add value to their offerings. As a

result, the technologies are being refined to meet the specific needs of sales, compliance and research—which helps grow their traction across the financial sector.

Market efficiency is the second clear driver for Web 2.0 adoption. The rise in social media channels has pumped up the volume and chaos of information available, and the market needs an efficient way to sort through it for resource allocation, price formation and liquidity. Financial firms have strong structural incentives to increase the value generated by these new Web 2.0 technologies, and collaboration is a key part of the solution.

This new ease of tapping into the power of collaboration has triggered a growth in Web sites that take advantage of network structures, such as Motley Fool, SeekingAlpha, StockTickr, Stockpickr, and SocialPicks.com, which all use networking techniques to stimulate idea generation and information sharing. They offer ranking systems and chat forums where members can interact, pick apart the latest consensus idea, and even build a following. This approach is also at work in more traditional financial services firms such as Morgan Stanley, which has launched a system for turning internal email groups into firm-wide forums for discussion of themes, trends, and key market topics.

The appetite for collaboration has also caused firms to turn their corporate Web sites into interactive portals that support a variety of tools and services. Bear Stearns, TIAA-CREF and Fidelity are a few examples of firms that have launched portals designed for two-way communication and active engagement with clients, research providers, and partners.

With Web 2.0, it is possible to set up highly personalized, narrowcast channels for specific data and users, so forward-thinking firms are reinventing the way information is collected, distributed and analyzed within their organization, while specialized search engines can precisely mine the Web



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for relevant information personalized to the specific needs of each user.

Not only has Web 2.0 fostered additional channels for research inputs, it has also changed the way research is distributed and consumed, especially for research providers.

Finally, the adoption of new technologies continues to accelerate because of the ever-increasing demand for immediate information access and analysis. Web 2.0 is freeing information from its historically fixed-access structures and silo-like applications. Industry giants like Merrill Lynch and JP Morgan Chase are taking advantage of these technologies to reduce costs, leverage data, and maximize performance.

But greater acceptance of Web 2.0 tools will not come without challenges. Firms deploying Web 2.0 will have to address latency and scalability, increased security measures and regulations, resources and legacy IT constraints.

In summary, Web 2.0 technologies have only begun to scratch the surface of opportunities. As these technologies evolve, financial firms can expect to see increased levels of connectedness between employees, management, and clients. Use of mash-ups, application integration, and virtualization will accelerate and drive performance, while collaboration will become a standard in the research process, and new categories of search will change the research game by identifying and extracting signals and predictive patterns from the wealth of information on the Web.