

## The Value of Financial Social Media Site: Theory and Practice

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### **Abstract:**

Seeking Alpha, Reddits, Stocktwits among others are popular online financial forums, some are flourishing while others are unsuccessful or even extinct. We study what determine the destiny of such social media platform and a valuation model of it is proposed in this study. Per the model, the value of such site is determined by four factors besides time: (a) the reputation-recognition mechanism, (b) the authors' average posting rate, (c) the authors' average marginal learning curve, and (d) the membership growth rate. In particular, the reputation-recognition mechanism is the sole factor determines the sign (fate) while all these four factors jointly determine the level of the value. Using data from a popular financial social media site, we find that this valuation model has practical implications. Knowing how to measure a financial social media site's value would allow us to gauge its popularity among online investors, its contribution to the financial society, its survival rate and its market value for sites comparison and mergers and acquisitions and more.

### **Keywords:**

Internet, Financial Society, Online Talks, Social Media, Valuation.