

## Social Monitoring Social Networks for Market-Moving Info

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Some traders are turning their attention to online communities not to communicate with their peers but to gather market-moving information from industry experts.

Case in point: Sermo, a social networking service that allows doctors — 70,000 have joined since its September 2006 launch — to share information about clinical trials, new drugs, medical products and practices. Such information is of great value to professional investors seeking qualified opinions on what drugs, products and health care companies are most likely to succeed. Collecting and packaging those opinions is how Sermo — Latin for “conversation” — makes money.

“Our product is a kind of looking glass into the thinking of the physicians’ community,” said Daniel Palestrant, the doctor who founded the Cambridge, Mass.-based company.

A third of Sermo's paying customers are traders at buy- and sell-side firms seeking timely insights on subjects ranging from drug-coated stents to the likelihood of a drug being approved, to the efficacy of the latest products from Novartis or Merck. The remainder are government agencies and corporate researchers.

“Clients give us key words they want us to track and if conversations appear on a given topic, they can get an e-mail alert or they can log in to view the information,” explained Palestrant.

Sermo initially paid physicians to post on the site, explained Palestrant, but to his surprise, doctors who joined the private online environment — members are all credentialed physicians who must be authenticated — were willing to share their thoughts about products and industry trends for free. Now, Sermo provides payment only to members willing to take part in an occasional survey.

Site participants are not identified, stressed Palestrant. “Our members are constantly making observations, which they make anonymously,” he said. “We are not violating their privacy.” Like most social networking sites, Sermo members have a ranking, based on the value the community places on their contributions.

The service competes with companies such as Gerson Lehrman Group and Leerink Swan & Co., which offer firms access to networks of experts. Though “there is no shortage of expert-matching services to drive research insight,” said Palestrant, he believes a Web-based platform that aggregates a host of opinions is a breakthrough for professional investors.

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