

# Marketing Communications Plan for



Making Markets Better®

April 8, 2014

*Prepared and presented by:*

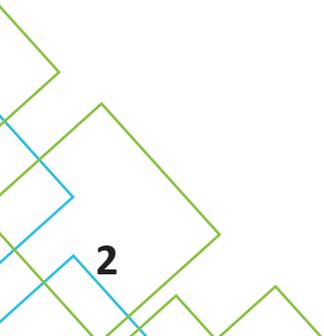
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# Team Credentials

**Eric Buselt** is marketing project manager and integrated content manager at University of Kansas Continuing Education. He has a decade of professional experience in marketing and advertising, including agency work at Valentine Radford and Barkley Evergreen, both based in Kansas City, Mo. He currently manages marketing campaigns for dozens of professional academic programs offered by KU Continuing Education, while also maintaining wide-ranging roles including primary marketing copywriter and integrated content manager. Eric graduated from KU in 2004 with a bachelor of science degree in journalism and will receive his master of science in journalism through KU's Marketing Communications graduate program in May 2014.

**Judi Reilly** is advertising coordinator for Johnson County Community College. In this role, she creates, places and tracks all advertising for the largest community college in Kansas and the third largest institute of higher education in the state. She also promotes the college through event management and public relations. From newspaper reporting and technical writing to advertising and marketing, her 25-year career covers a lot of ground. Judi considers herself the biggest cheerleader in any project she works on – committed to teamwork and innovation in effectively meeting project goals and objectives. Judi received a bachelor's degree in journalism and mass communications from Kansas State University. In May 2014, she will receive a master of science degree in journalism through the Marketing Communications graduate program at the University of Kansas.

**Josh Williamson** is in his fifth year as the assistant meet director for the University of Kansas Track & Field and Cross Country teams. He assists with event management of all track and field and cross country events including the Kansas Relays. His responsibilities include sponsorships, equipment, directing youth camps, marketing and promotions. Before his current position at KU, he worked in marketing at Hopkins, a global automotive after-market manufacturer. There he launched multiple marketing campaigns and sales promotions while managing several industry-leading product lines. The Hutchinson native graduated from KU in 2004 with a bachelor of science degree in journalism. He is scheduled to receive his master of science in journalism through KU's Marketing Communications graduate program in December 2014.

**James K. Gentry, Ph.D.**, Clyde M. Reed Teaching Professor at the School of Journalism and Mass Communications at the University of Kansas, supervised this project. Prior to joining KU as journalism dean in 1997, Gentry was a dean at the University of Nevada, Reno, for five years and before that was a member of the faculty at University of Missouri School of Journalism. In summers he teaches for the University of Iowa. He writes occasionally on the economics of sports for *The New York Times*.

During the first months of 2014, our team of three students studying in the University of Kansas School of Journalism and Mass Communications Marketing Communications graduate program conducted extensive primary and secondary research to develop a strategic marketing communications plan for our client, Lenexa, Kan.,-based BATS Global Markets, Inc. The entirety of this initiative took place within the Journalism 850 Capstone course and has been advised by Dr. James K. Gentry, the Clyde M. Reed Teaching Professor and former dean at the School of Journalism and Mass Communications at KU.

The primary objective of this plan is to increase brand awareness for BATS Global Markets among business leaders and the general investing public. More specifically, our team identified the following as preliminary research questions to answer:

***How can BATS raise its profile and brand awareness among:***

- ***entrepreneurs and startup companies as well as established private companies looking at an IPO to raise capital***
- ***business leaders whose companies are already publicly listed or traded but who are disenchanted with products or services offered by the other exchanges***
- ***the general investing public – institutional investors and retail investors – who are not fully aware of BATS or who do not fully understand the alternatives they have in the complex stock trading market.***

***How does BATS prepare for its own IPO in lieu of the 2012 listing attempt debacle?***

More than three months of qualitative and quantitative research provided the source material upon which this marketing communications plan is based. Our team compiled hundreds of articles, academic studies, industry analyses and other data that informed our market research, including our interpretations of historical and current issues as well as emerging trends. Our team then enhanced the research efforts by focusing on questions and topics specifically supporting the client's objective for this project. This work included interviewing professionals within or related to the financial industry and conversations with marketing experts, as well as two sampling surveys targeted to relevant audiences.

We critically analyzed our primary and secondary research to determine strategies BATS can utilize to gain awareness. Our suggested approach begins by embracing Kansas City as a point of difference and by communicating the brand's vision, mission and values – which we call the brand's story – clearly in its messaging. A three-phase approach was developed to assist BATS in meeting these marketing objectives. These phases, supported by activities related to specific marketing communications goals, strategies and tactics, are:

- ***Define. Refine. Refresh.***
- ***Communicate. Share. Promote.***
- ***Engage. Inspire. Educate.***

In addition, this marketing communications plan includes a recommended timeline and budget needed to implement the tactics, along with sample material and sources for further consultation by BATS.

Combining research with the professional and academic experience of its members, our team believes the recommendations presented in this plan provide BATS Global Markets with a strategic means of enhancing its brand awareness among business leaders and the general investing public.

## BATS Company Information

### *BATS Company History*

Less than 10 years ago, BATS Trading, Inc., emerged as a new electronic communication network (ECN) for the financial services community. The company's innovative technology matched bids and offers from multiple broker-dealers. The Kansas City-based entrepreneurial company, led by David Cummings, began to compete aggressively against the industry's existing old guard – Nasdaq Stock Market, Inc., and The New York Stock Exchange.

The budding company demonstrated true entrepreneurial spirit. It challenged established norms, developed disruptive innovation products and services while acting with tenacity and determination (“A Global Exchange Leader,” BATSGlobalMarkets.com). Specifically, BATS wanted to:

- Fill a gap in the overly consolidated market caused by a rash of mergers and acquisitions.
- Respond to the existing, ever-changing needs of customers in the market using innovative products and services.

BATS quickly made a difference in the equities market. Even before its second anniversary, BATS' single-day trading volume passed the \$1 billion mark (“History,” BATSGlobalMarkets.com). The company received Securities and Exchange Commission (SEC) approval and launched its first U.S. equities exchange – BATS BZX Exchange – in late 2008, while simultaneously embarking on a European expansion with the launch of BATS Europe in London. The overall company became known as BATS Global Markets, Inc., to reflect the U.S. and European business segments. These maneuvers positioned BATS as the third-largest stock exchange operator in the world in terms of trade volume by January 2009.

BATS marked 2010 with additional achievements. The company launched BATS Options, a U.S. equity options exchange, that February, and launched its

second equities exchange – BATS BYZ Exchange – eight months later.

BATS stepped up its presence in the global exchange market in 2011 with the acquisition of Chi-X Europe, which became part of BATS Chi-X Europe. This new entity became the largest European equities exchange by market share and volume traded.

In 2012, BATS entered the primary listings arena when nine new exchange-traded funds (ETF) from iShares' ETF business, part of BlackRock, Inc., began trading on the BATS exchange. This product, available in the U.S. and Europe, offers ETF issuers a variety of innovative services, including a rewards-based program for market makers designed to increase market liquidity and create tighter spreads for each listing on BATS.

### *BATS Today*

BATS now holds the number two position in the U.S. equities market by volume thanks to its merger with Direct Edge Holdings LLC, which was approved by the SEC in January 2014.

Direct Edge mirrors BATS with a similar road to success. The New Jersey-based firm's origins began in 1998 as Attain ECN (“About Direct Edge,” DirectEdge.com). The company was rebranded and introduced as Direct Edge ECN in 2005 when Knight Capital Group purchased the company. KCG spun off Direct Edge two years later.

By mid-2008, Direct Edge had captured six percent of all U.S. equity volume. That same year, the International Securities Exchange (ISE) took a 31.5 percent ownership of Direct Edge, and Direct Edge took control of the ISE Stock Exchange. One year later, Direct Edge doubled its share of U.S. equity volume to 12 percent. In 2010, Direct Edge converted its two ECN platforms into full-fledged stock exchanges.

Some might say the BATS-Direct Edge merger is an ideal match. Both companies boast customer-centric operations capitalizing on innovation to best serve the trading and investing consumer. For Wall Street, the merger means a broker-owned stock exchange operator will command the number two volume-traded spot (and some days number one) for the first time since Nasdaq and NYSE went public about 10 years ago.

## **BATS Organizational Structure**

Changes in organizational structures have occurred with the BATS-Direct Edge merger (“Latest Press Releases,” BATSGlobalMarkets.com). Direct Edge operations now fall under the BATS Global Markets umbrella. The Direct Edge brand name will be retired within a year of the completed merger. BATS is working on the integration of technologies in which all market activity eventually will use BATS proprietary trading technology.

The combined BATS-Direct Edge operation now features four exchanges, or about one-third of all U.S. exchanges, and controls about 20 percent of daily equity volume (“Who We Are,” BATSGlobalMarkets.com). This combined size will add to BATS’ credibility and competitiveness.

## **BATS Global Markets Business Segments**

### U.S. Stock Exchanges

- BZX Exchange
- BYX Exchange
- EDGA Exchange
- EDGX Exchange

### U.S. Options Exchange

- BATS Options

### Pan-European Exchange

- BATS Chi-X Europe

### U.S. Stock Listings

- BATS Listings

Respected industry professionals lead the BATS management team (“Management Team,” BATSGlobalMarkets.com). Joe Ratterman, a BATS founding employee, is chief executive officer of BATS Global Markets. William O’Brien, former chief executive of Direct Edge, now serves as president of BATS Global Markets.

Analysts expect operations of BATS and Direct Edge to fit nicely together. BATS is known for its strength in technology, operating efficiency and rela-

tionships in proprietary trading. Direct Edge relationships are strong on the retail front with customers that include ScottTrade, E-Trade and TD Ameritrade.

## **BATS Financial Snapshot**

Financial terms of the BATS-Direct Edge merger were not disclosed because both are privately-held

### **BATS Global Markets Inc. (U.S. Operations) – Financial Performance\***

Year	Revenue		Operating Income	
	(\$ million)	(% change)	(\$ million)	(% change)
2008	689.9	175.8	7.8	N/C
2009	908.2	31.6	30.5	291.0
2010	834.8	-8.1	34.8	14.1
2011	926.6	11.0	38.6	10.9
2012	1,005.5	8.5	41.6	7.8
2013*	1,043.8	3.8	42.8	2.9

\*Estimates based on S-1 filing, IPO withdrawn

Source: Annual Report and IBISWorld

companies. However, some details are public.

*IBISWorld* issued its annual stock and commodity exchange industry report in December 2013 (Hoopes, *IBISWorld*). Because the BATS-Direct Edge merger was not complete, the report did not provide financial data on the two companies. However, *IBISWorld* did provide historical data on BATS’ financial performance based on the S-1 filing as part of its withdrawn IPO in 2012.

In addition, *IBISWorld* had this to say about Direct Edge in its 2013 industry report:

“One of the largest players not mentioned is Direct Edge, a privately held company that offers subscribers integrated access to multiple sources of displayed and dark liquidity. Over the five years to 2013, the average daily volume of shares on Direct Edge is expected to increase at an annualized rate of 14 percent, representing a faster rate than competitors NYSE Euronext, Nasdaq OMX and BATS. The company’s merger with BATS passed an antitrust review from the Department of Justice in October 2013, and the merger is anticipated to be finalized during the first half of 2014.”

*A Wall Street Journal* article dated Sept. 27, 2013,

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cited a company spokesman in reporting BATS had \$118 million in operating expenses for 2012, compared with 2012 operating expenses of \$973 million for Nasdaq and \$1.7 billion for NYSE (Bunge, “BATS Prepared”).

BATS enjoys operational efficiencies with few employees and lower office leasing costs in the Kansas City area versus New York. A *Bloomberg* article dated Feb. 4, 2014, quoted BATS President O’Brien as saying that BATS operates with about 160 employees while Direct Edge operated with about 135 (Regan and Mamudi, “Son of Big Board”). Those numbers contrast with the NYSE’s 3,000 employees and Nasdaq’s 2,500.

## **BATS Mission**

The BATS mission is to “make markets better” through innovations in technology, performance, market structure and customer service.

In a press release announcing the finalized merger with Direct Edge, O’Brien emphasized that the mission of the bigger company was “to deliver meaningful value through preservation of choice, reduced costs and technological compatibility.” CEO Ratterman added that with the merger, BATS is “excited to embark on a new path to deliver even greater innovation and competition, challenging the status quo globally” (“Latest Press Releases,” BATSGlobalMarkets.com)

## **BATS Culture and Values**

Despite its major competitors operating from offices on Wall Street, BATS is proud of its Midwest roots and continues to build its business around a culture that promotes admired Main Street qualities and characteristics: excellent customer

service, reliable technology and corporate transparency.

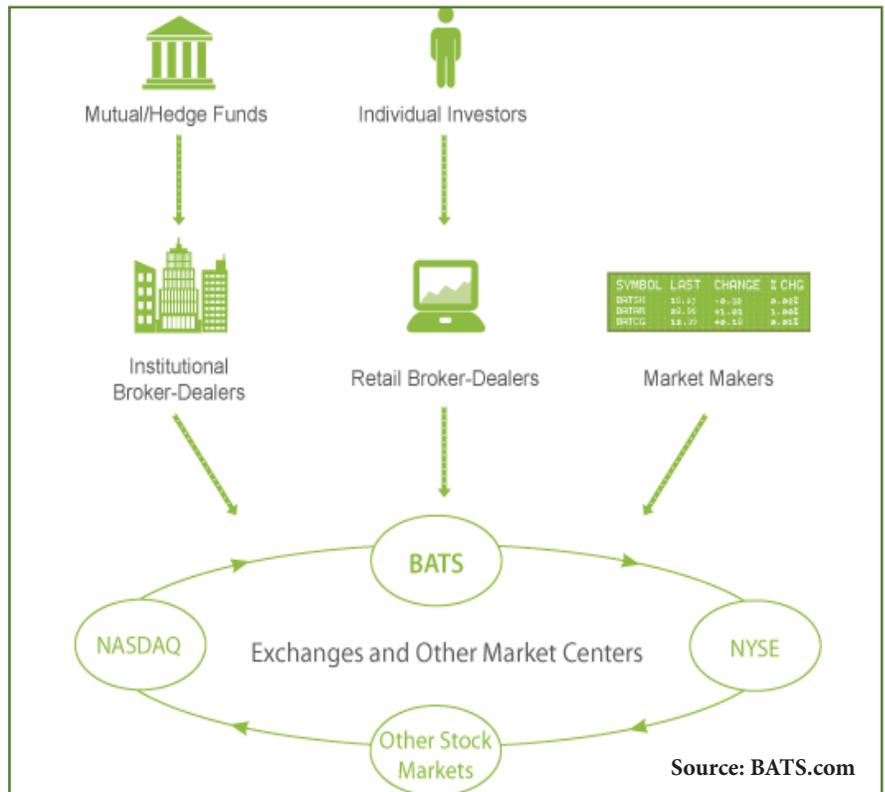
BATS prides itself on the partnerships formed with its customers. To that end, the company identifies market quality, fair pricing, personalized customer service, entrepreneurial spirit, innovative technology and operational efficiencies among its key values.

BATS bases its headquarters in the Kansas City-area, where it was founded and which is rapidly becoming a mecca for like-minded entrepreneurs and technology startups. The company has also established offices in New York and London to ensure quality customer service across the U.S. and around the globe.

## **BATS Audiences**

BATS works directly with broker-dealer customers on three fronts – institutional investors, retail investors and market makers. Indirectly, BATS’ institutional customers work with mutual funds, hedge funds, ETFs and other financial assets. BATS’ retail customers work directly with individual investors (“Stock Exchange 101,” BATSGlobalMarkets.com).

## **Relationships in the Financial Markets Industry**



## ***BATS Products***

BATS offers its exchange members more than just access to its world-class equities markets. The company also provides a host of innovative products and resources. As a brand recognized for Web-centric capabilities, it is essential that BATS mixes its industry-leading technology with useful tools that aid the client experience while also providing additional opportunities for competitive differentiation. BATS achieves these objectives with two lines of products: market data and Web-based products. These products were developed for use by its exchange members and are not available to the general investing public.

“Innovation is at the core of BATS and we remain committed to developing unique, practical products and tools that increase market transparency while helping investors,” BATS Chief Operating Officer Chris Isaacson said in a company press release issued May 19, 2011 (“BATS First Exchange,” BATStrading.com).

The primary market for these products is BATS’ current members, although specific tools cater to members’ differing data needs, technology demands and trading levels.

## **Market Data Products**

BATS’ trading website indicates that its eight market data products “provide a robust offering of market data options to suit Members’ diverse needs” (“Market Data Products,” BATStrading.com). According to the site, a customer must either subscribe to a particular product by completing market data documents – which include data agreements and request forms – or by calling the BATS’ Trade Desk.

BATS market data products:

- Multicast Latency Feed – BATS was the first exchange to offer a latency feed directly for its members when it launched this product on May 20, 2011, which allows its exchange members to monitor matching-engine unit-level performance statistics, including order-to-quote latency.
- Multicast PITCH – BATS worked with Atrium Network to provide its members with a tool that gives real-time depth-of-book quotations and execution information with about half the latency of its TCP PITCH product.
- TCP PITCH – Members can use the TCP PITCH data feed to monitor uncompressed depth-of-book quotations and execution information.
- TOP – BATS’ Top of Book market data feed only displays top-of-book (highest bid and lowest ask prices) quotes and trades, which significantly reduces bandwidth and processing requirements.
- DROP – This data feed allows authorized BATS members to monitor trading activity of other members.
- European Market Data – U.S.-based companies can save connectivity costs by receiving real-time European market data via the BATS Chi-X Europe TCP PITCH feed.
- Last Sale Feed – BATS’ real-time TCP feed only displays matched trade price, volume and execution time from each trade on BATS’ book, which keeps data to a minimum and requires less technology development.
- Historical Data – BATS offers up to three months of downloadable historical PITCH, TOP and Last Sale data to its members from its website, and provides additional data beyond three months on a company-provided terabyte drive. The service costs \$500 per month and \$2,500 per terabyte drive.

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## Web Products

BATS offers seven unique Web products to its clients in a package it calls the “Online Member Portal,” which provides “a comprehensive suite of value-added tools designed specifically to give customers easy, on-line access to the information they need” (“BATS Web Products,” BATStrading.com). The big idea implied with these tools, according to the Web Products page, is to “make doing business with BATS easy.”

BATS Web products:

- Online Member Portal – BATS’ members can view their firms’ trading data through the Online Member Portal.
- Order Lookup – This tool lets customers re-view order status and execution information.
- Current Activity – BATS’ trading tool lets its members view, sort and save their daily trading activity and relevant data.
- Statistics and Ranking – BATS’ ranking tool provides members with data that tracks their volume and order efficiency on BATS markets.
- Real-Time Latency Monitoring – This dashboard tool allows BATS’ BYX and BZX Exchange members to monitor their order efficiency in real time, including their overall BATS latency statistics.
- Ports Dashboard – Members can obtain their real-time port information to maximize their trading activity and port efficiency.
- Trade Data – BATS’ Trade Data tool provides members with highly detailed downloadable trade data in multiple formats.

## Routing Strategies

In addition to market data and Web products, BATS provides members with a variety of routing strategies that deliver “access to multiple pools of liquidity” (“BATS Exchange Features,” BATStrading.com).

## Additional BATS Features

BATS also offers a “Rapid Rebate” program, which provides net liquidity rebates to eligible members on a weekly basis. These faster liquidity rebates provide an operating advantage for BATS over competition from other exchanges (“BATS Exchange Features,” BATStrading.com).

## BATS Target Audiences

The primary objective of this marketing plan is to raise awareness for BATS among the “general investing public.” In order to provide BATS with targeted marketing recommendations to meet this objective, our group first needed to answer several questions. We needed to define the term “general investing public,” and then establish primary and secondary audiences within that group based on demographic data. Once we established those audiences, we could then explore the investing-related trends within them and develop marketing recommendations to achieve BATS’ marketing goals.

### General Investing Public Defined

We propose that one definition of “general investing public” could be: the collection of individuals active in buying, holding or selling investment assets in the retail financial market. These are individual investors, also called retail investors, who *Investopedia* defines as “investors who buy and sell securities for their personal account, and not for another company or organization” (“Retail Investor Definition,” *Investopedia*). Out of this broad group, our demographic research identified a primary audience of 35-64 year-old individual investors and a secondary audience of millennials with their own investments.

### Primary Target Audience

According to our research, the most dominant age segment of the general investing public is adults 35-64. For instance, the 2013 *Investment Company Fact Book* shows that the 74 percent of all mutual fund assets are owned by this age group, compared to 19 percent owned by investors over age 65 and just seven percent for investors 34 or younger. A Gallup poll showed that between 58–61 percent of Americans aged 30-64 were invested in the stock market (Fact Book, pg. 32; Saad, “U.S.”), which were the largest percentages of any age group. A 2012 U.S. Census report stated 2007 figures that showed the household heads within this age group being the most frequent stockholders with the most valuable holdings (particularly the 55-64

segment) (“Table 1211,” U.S. Census). The U.S. Federal Reserve Board’s 2010 Survey of Consumer Finances similarly showed that the 55-64 age segment held the highest mean net financial assets of any age range (\$1,004,800), followed by the 65-74 segment (\$940,900) and the 45-54 segment (\$722,000) (2010 Survey, Federal Reserve Board).

Not surprisingly, investing activity increases with household income. According to an April 2013 Gallup survey, 81 percent of Americans earning more than \$75,000 annually were invested in the stock market, while only 21 percent of Americans earning less than \$30,000 per year owned stocks (Saad, “U.S.”).

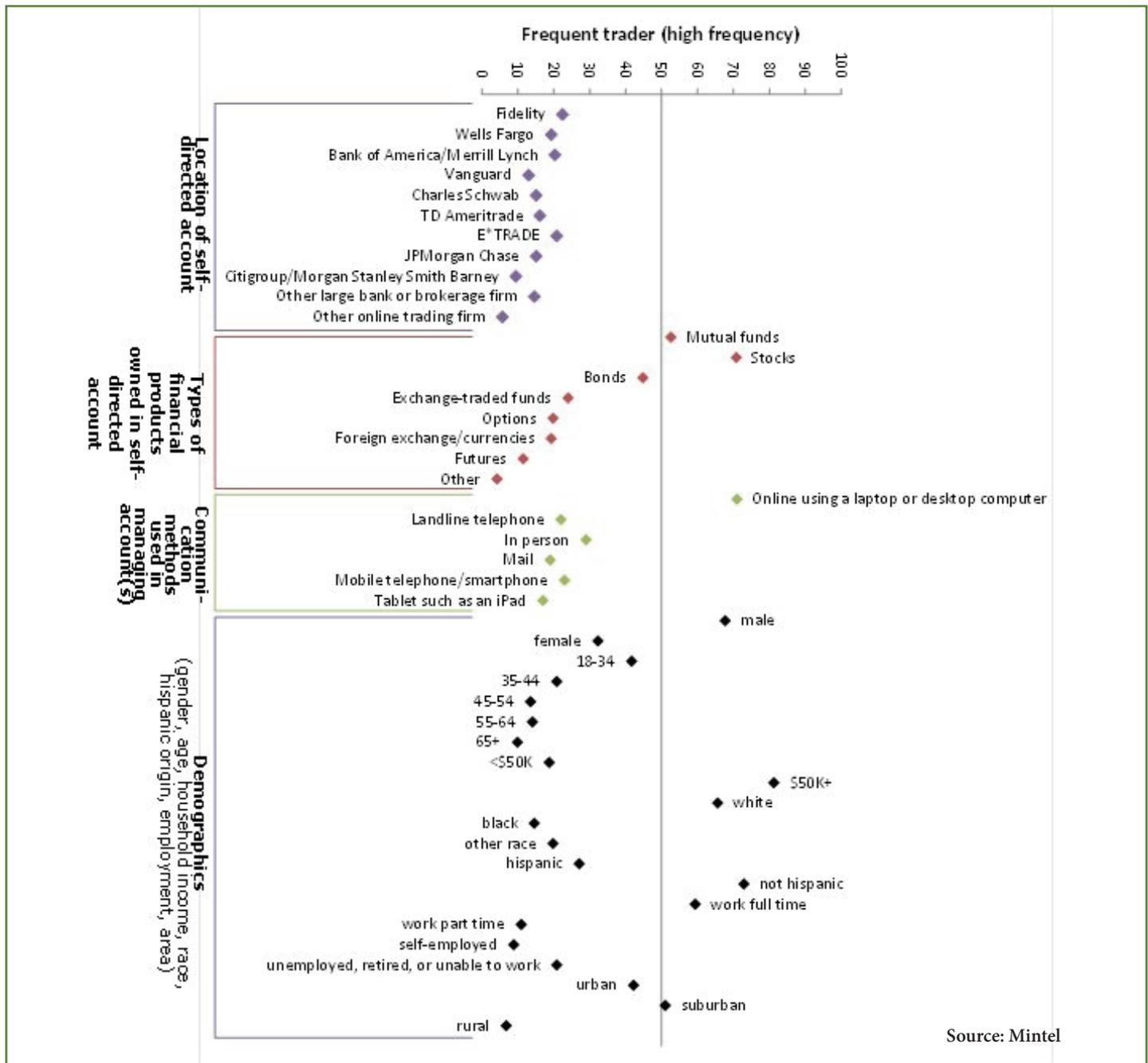
A Mintel chart displays more investor demographics on page 12 (Mintel, “Self-Directed and Online Investing - US - September 2012,” Figure 76).

Additional demographic and behavior data on this primary target audience came from the Nielsen Company and its 2013 PRIZM segment information (“Segment Explorer,” PRIZM). Five segments, in particular, best describe what we believe represent the “general investing public.” These segments include “Money & Brains,” “Country Squires,” “Fast-Track Families,” “Upward Bound” and “Winner’s Circle.” Common demographic and behavior characteristics of this group include an age range of 35-54, income-producing assets described as high or elite and income listed as either upscale or wealthy. A large number of high net-worth investors are within this age range, particularly at the latter stages as their portfolios grow larger while they near retirement.

The common persona of these segments describes a person who is college educated, lives in the suburbs rather than the urban core, spends disposable income on sporting events, high-tech equipment, luxury automobiles and consumer electronics. People described within these segments hold white-collar managerial and professional jobs.

Knowing the behaviors and demographics of these PRIZM segments serves as a strong foundation of understanding the wants and needs of the “general

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investing public.” See the Appendix for full descriptions of these five PRIZM segments.

## Secondary Target Audience – Millennials

Our research has identified millennials holding their own investments as a secondary target audience that BATS should consider. Although research suggests

that millennials would grow stronger investment portfolios by taking risk, current trends show an aversion to risk among younger investors (Wathen, “How Millennials”). A 2013 UBS study suggests that they will grow into the primary target age-range with what will likely be a conservative approach to investing. Millennials are being heavily influenced by the economic experiences of their parents and are the earliest adopters of technology aimed at investors (“Think you,” UBS, p. 11).

They are also the most technologically savvy

segment of investors, which is an added benefit for BATS' innovative platform, and are the most likely to take advantage of online financial services. According to Mintel, "About a quarter of those aged 18-34... say mobile phones are their main communication method with their investment company" (Mintel, "Self-Directed, Trend Applications"). *Entrepreneur* cited Crowdtap

research that suggested, "User-generated content shapes millennials' lives more than any other form of media. Information gathered through user-generated content is trusted 40 percent more than information from other media – including newspapers and magazines. Millennials also find user-generated content 30 percent more memorable than other sources" (Taylor, "Millennials").

## Internet, Social Media and Mobile Technology Key Points

- According to Mintel, two-thirds of investors prefer using the Internet to manage their self-directed investment accounts, although nearly 30 percent still prefer visiting broker or adviser offices (Mintel, "Self-Directed, Communication Channels").
- Mobile technology is still not widely used for investment account activity, according to September 2012 Mintel data. Only 14 percent of those surveyed indicated that a smartphone was the method they use most often to manage their investment account, and only 6 percent use a tablet. The findings state that, "A large part of that reluctance is no doubt due to security concerns" (Mintel, "Self-Directed", Trend Applications).
- The heaviest users of smartphones for investing are young affluents under the age of 35 (24 percent). They are also more than twice as likely to prefer to do most of their transactions either on their smartphone or their tablet. (Mintel, "Marketing Financial Services," Importance of Technology).
- More than 80 percent of affluent millennials believe it is important that their bank offer a wide range of online and/or mobile services and that they have access to their primary bank or investment company via mobile or online channels (Mintel, "Marketing Financial Services," Importance of Technology).
- Mintel research shows that 24 percent of affluent millennials follow their banks or financial institutions on their social media accounts, (Mintel, "Marketing Financial Services," Attitudes).
- New research by social-influence marketing platform Crowdtap indicates that individuals ages 18 to 36 spend an average of 17.8 hours a day with different types of media (Taylor, "Millennials").
- Information gathered through user-generated content is trusted 40 percent more than information from other media – including newspapers and magazines (Taylor, "Millennials").
- Twitter followers (as of March 29, 2014): NYSE Euronext (@NYSEEuronext – 458K); Nasdaq (@Nasdaq – 263K; @NASDAQOMX – 14.9K); BATS Global Markets (@BATSGlobal – 576).
- Facebook likes (as of March 29, 2014): Nasdaq OMX (330.8K); NYSE Euronext (91.8K); BATS Global Markets (N/A).
- LinkedIn followers (as of March 29, 2014): NYSE Euronext (22,228); Nasdaq (13,933); BATS Global Markets (1,171).
- Pinterest followers (as of March 29, 2014): NYSE Euronext (65); Nasdaq (92); BATS Global Markets (N/A).
- Google search results (as of March 29, 2014): "Nasdaq" – 491,000,000; "New York Stock Exchange" – 202,000,000; "Direct Edge" – 184,000,000; "Chicago Stock Exchange" – 51,000,000; "BATS Exchange" – 22,800,000; "BATS Trading" – 14,600,000; "BATS Global Markets" – 7,020,000.

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Millennials represented within PRIZM segments include “Young Digerati,” “Up & Comers” and “Young Influentials.” A common persona from this group is aged 35 or younger and highly educated, with a moderate to high income and plenty of discretionary money to spend (“Segment Explorer,” PRIZM). Millennials are the first generation of adults to come of age in the Internet era, and thus online behaviors like connecting socially, making purchases and researching financial data are natural activities for them. However, millennials also are not completely tied to their computers or smartphones, as nearly a third of individual investors in this age group seek advice from financial advisers (Mintel, “Self-Directed, Communication Channels”). Advice from friends and family also plays an important role in investing decisions (Mintel, “Lifestage”).

In terms of marketing to millennials, *Entrepreneur*'s Nadia Goodman has this advice: “Millennials have grown up immersed in social media, so they're used to interacting directly with brands they use. To reach them effectively, treat all of your communications, from social media to your landing page and ads, like a real conversation” (Goodman, “4 Tips”).

## A Note About Seniors 65 and Older

Currently, seniors aged 65 and older should not constitute a secondary target audience for BATS. While they hold significant totals of accumulated assets, *IBISWorld*'s Stephen Hoopes points out that, “This age group has comparatively higher income needs and risk aversion than other demographic groups. As a result, this group has the highest rate of fund redemptions as they look to liquidate their positions in order to pay living expenses during retirement”

(“Open-End,” p. 16). They are also the least likely group to trust an electronic market like BATS, particularly considering Mintel data showing the group's distrust of online trading (Mintel, “Self-Directed and Online Investing September 2012”). The barrier related to technological competency is also an important consideration in marketing to the 65 and older age group.

However, this is not an audience to be ignored, and will likely become a stronger potential audience for BATS in the future. As G. David MacEwen, chief investment officer of fixed income at American Century Investments, wrote in a 2011 ACI commentary, “The U.S. Census Bureau paints [a picture] of population demographics, showing that the forecasted fastest-growing segment of the adult U.S. population by far from 2010 to 2020 will be the 65 and older category. This is due to the continuing maturation of the baby boomer generation, which swells the ranks of every age category it progressively hits” (MacEwen, “More Focus”). In other words, the baby boomers are entering this age range at a rate of 10,000 a day in the United States, and stand to be the most technologically connected seniors with their large nest eggs ready to spend instead of save (Clarke, “Why You”).

Among frequent investors, this age range of investors can be found within the “New Empty Nests,” “Gray Power” and “Traditional Times” PRIZM segments. Elements can also be found within the older portions of the 55 and older segments like “Big Fish, Small Pond” and “Second City Elite.” They are either in the twilight of their well-paying careers or already enjoying their retirement. They enjoy traveling, engaging in cultural activities, visiting their country clubs and spoiling their grandchildren (“Segment Explorer,” PRIZM).

## The U.S. Financial Investment Market

### *Introduction: Investing and the 2013 U.S. Stock Surge*

When the closing bell rang at the NYSE on December 26, 2013, the Dow Jones Industrial Average finished at a record high of 16,479.88. The S&P 500 also reached a new record that day, closing at 1,842.02. It was a banner day capping a banner year in U.S. equity markets. The DJIA hit record highs 50 times in 2013, six more than the S&P 500's 44. The S&P 500 finished with a sparkling yearly return of 32.39 percent. The record numbers, heavily influenced by the Federal Reserve's economic recovery initiatives, represented an opportunity for huge gains in financial markets for savvy investors.

The strong performance by U.S. equities markets boosted returns in assets like stocks, mutual funds and ETFs, and brought strong inflows into the industry, restoring some of the losses those asset classes experienced during the 2008-2009 recession. Even with notable market skepticism from many institutional and retail investors, overall investment continued to rise from recessionary lows. According to the Investment Company Institute, Americans held \$14.7 trillion in U.S.-registered investment companies at the end of 2012, a number expected to top \$20 trillion in 2014 (Fact Book, p. 8).

### *Who Makes Up the Retail Marketplace?*

According to BATS' figures, stock valuing more than \$250 billion is traded on U.S. exchanges every day, with more than \$35 billion in trades occurring on BATS' BZX and BYX exchanges ("Industry Facts," BATS.com). The vast majority of these transactions are conducted on behalf of investors through U.S. investment companies, through online brokerages, independent or affiliated financial advisers or through wealth management firms. The financial firms who serve individual investors range from small advising offices to global wealth management conglomerates.

Many Americans invest through their employers. According to the ICI, nearly three-fourths of mutual

fund holders have investments tied to their employer-sponsored retirement plans (Fact Book, p. 95). These plans are often offered and administered by investment companies and managed by affiliated financial advisers, institutional investment companies or wealth management firms, although some individuals manage their own retirement accounts.

Beyond retirement saving, individual investors are active in the retail investment marketplace in many other ways. They often manage their own accounts through online brokerages, financial institutions or advising firms (and sometimes all three), who connect those investors with broker-dealers to execute trades on exchanges that include BATS, Nasdaq and the New York Stock Exchange, as well as smaller alternative exchanges and dark pools. Vehicles for retail investment include corporate stocks, bonds, mutual funds, ETFs and money-market savings accounts. Market makers work behind the scenes to provide the liquidity to make these trades and financial transactions possible. According to the ICI, "A variety of financial service companies offer registered funds in the U.S. At year-end 2012, 76 percent of fund complexes were independent fund advisers, and these firms managed 63 percent of investment company assets. Non-U.S. fund advisers, banks, thrifts, insurance companies, and brokerage firms are other types of fund complexes in the U S marketplace" (Fact Book, p. 13).

## Trends in the Retail and Institutional Investing Markets

### *Enduring Market Distrust*

According to *Marketwatch*, Americans poured more than \$1 trillion into fixed assets between 2008 and 2012, fueled by substantial market uncertainty following the second significant market decline since 2000 (Gold, "Almost"). But that trend began to change in 2013, with equities surging at record levels while bonds performed relatively poorly in reaction

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to the Federal Reserve's asset-buying initiatives that lowered Treasury interest rates. The trend began to change again in early 2014, when economic changes including the Fed's quantitative easing taper ushered record equity outflows as nervous investors shifted back to bonds (Clarke, "Stock"; Goodman, "Investors").

The shifting between stocks and bonds underscores how rapidly investor sentiment can shift billions of dollars in and out of the markets, particularly in the current atmosphere of electronic trading. Gallup reported another curious statistic in May 2013, showing that despite the strong gains seen in the stock market that year, "Stock ownership among U.S. adults is at its lowest level in Gallup trends since 1998," with slightly more than 50 percent of Americans owning stocks (Saad, "U.S."). The frequent asset shifting, along with the relatively low percentage of American stockholders through the record equity boom, highlights one particular trend that began with the dot-com bust and was exacerbated by the 2008-2009 recession: many investors still do not trust the stock market.

Analysts in 2013 reported that the stock market remained largely untrusted by both retail and institutional investors even during a growth period for U.S. equities markets. *Marketwatch's* Howard Gold wrote in December 2013, "The data show overwhelmingly that the public remains wary of, if not hostile to, stock investing, and only a small number of affluent, adventurous individuals are doing the buying" (Gold, "Almost").

Interestingly, the distrust has been as strong among investors approaching retirement as it was among millennials. Gold suggests that older investors are spurning stocks for "savings vehicles," while a February 2014 study by investment firm UBS showed that millennials have little taste for market risk (Gold, "Almost"; "Think You," UBS). The UBS report shows that millennials allocate less than one-third of their portfolios to stocks, despite overwhelming investing theory that suggests younger people with the indelible

advantage of time should consider more aggressive portfolios that leverage the higher returns associated with riskier investments. UBS suggests one reason for the trend among young investors is that the majority of them look to their economy-hammered parents for investing advice instead of professional financial advisers ("Think you," UBS, p. 11).

The seemingly increased market activity in early 2013 also suggested widespread continued mistrust of the stock market. According to data examined by *Marketwatch's* Gold, only 17 percent of mutual fund investments in 2013 were directed toward U.S. equity funds. The rest, he pointed out, went to ETFs, the increasingly popular, easy-to-exchange counterpart to mutual funds. Gold cited Vanguard founder John Bogle, who explained that, "More than one-half of all ETF assets are held by financial institutions – not individuals" (Gold, "Almost"). That is, the majority of ETFs are not owned by retail investors. Still, overall investment is still on the rise in the U.S., indicating increasing business opportunities for financial advisers, investment firms, brokerages and other industry operators. According to *IBISWorld*, "industry assets are anticipated to increase at an annualized rate of 4.8 percent to reach \$16.4 trillion" by 2014 (Hoopes, "Open-End," p. 5).

## ***Retirement Saving: Growing But Not Enough***

A generational focus on retirement saving is one factor influencing the strong number of investors in the financial marketplace. For instance, an ICI mutual fund survey showed that 93 percent of fund holders maintained a focus on investing for retirement, which has contributed to the \$19.5 trillion Americans were collectively holding in retirement investment accounts in 2013 (Fact Book, p. 93). This has implications for markets as well as industry professionals such as financial planners, advisers and portfolio managers. An *IBISWorld* report suggests, "As baby boomers switch from capital accumulation to preservation in retirement, they will likely seek industry services to manage their nest eggs" (Hoopes, "Portfolio," p. 4).

The number of households owning Roth IRAs increased an average of 5.3 percent each year between

2000 and 2013. However, saving for retirement is something that many Americans – including those nearing retirement age – have largely disregarded. As Mintel research from September 2012 suggests, “Millions of Americans are woefully unprepared financially for retirement, just as the Baby Boomer generation is preparing to retire. As many as half of workers have saved virtually nothing, while those who have saved do not have nearly enough. They desperately need help, which should create a huge opportunity for investment companies.” Mintel survey data further showed that, “Some 40 percent of respondents try not to think about retirement at all, making it very difficult for them to develop a well thought-out plan as to how they will live in later years” (Mintel, “Consumer Attitudes”).

## ***ETFs and Hybrid Funds***

While institutional investors are the heaviest users of ETFs, investors of all types – including individual investors – are increasingly flocking to the lower fees and increased liquidity of that asset class versus mutual funds (Rehak, “Exchange-traded”). *IBISWorld* research shows that ETFs are “the biggest driver of growth for the industry,” and are expected to exceed mutual funds in annualized asset growth over the next five years (Hoopes, “Open-End,” p. 5). Retail investors who own ETFs tend to “have higher incomes, greater household financial assets, and were more likely to be headed by college-educated individuals,” according to the ICI, further confirming the demographic profile of active individual investors (Fact Book, p. 57). While only about 3.4 million U.S. households owned an ETF in 2013 (compared to 53.8 million households that own mutual funds), the share of industry assets is increasingly shifting away from mutual funds (4.2 percent expected annualized asset growth) and toward ETFs (12.4 percent expected annualized asset growth), as the *IBISWorld* data suggests. *IBISWorld* further stated in the data that “the superior flexibility of ETFs to invest in diverse asset classes and pursue alternative investment strategies will lead to significant fund innovation that will attract investor capital” (Hoopes, “Open-End,” p. 9).

Financial advisers are increasingly recommending alternative and hybrid funds as hedges for clients against stock market risk and low bond yields. Lipper research director Robert Jenkins told *Money* contributor Dan Kadlec in December 2013 that these investments are “popular with people over 55 and who want to manage their downside” (Kadlec, “Top Trends”).

*IBISWorld* further explains the growing interest in hybrid assets among investors who are “increasingly seeking a balance between the relative safety of bonds and the higher returns of equities” (Hoopes, “Open-End,” p. 14). According to the same report, hybrid funds accounted for 6.9 percent of all investment assets in 2014, a number that has grown in the last five years.

## ***Fund Brand Preference***

Another trend noted by *Money*’s Kadlec was the retail investor’s penchant for buying into “brand-name mega mutual funds” regardless of the availability of higher-performing funds managed by lesser-known institutions (Kadlec, “Top Trends”). *IBISWorld* also noted this trend in a 2014 report, stating, “Investors are increasingly trusting their assets only with well-known brands” (Hoopes, “Open-End,” p. 20).

## ***Retail Investment Account Management***

Financial experts are ultimately mixed on how the majority of retail investors should build and manage their portfolios. The average retail investor holds similarly mixed views of financial experts, including professional financial advisers, analysts and fund managers, with plenty of voices on the Internet suggesting that professionally managed active investment accounts fare no better (and, in fact, often worse) than self-managed accounts (Blackwood, “Rise”). Meanwhile, experts point to the often abysmal performance of retail stock market investors, whose timing “tends to be terrible,” according to independent financial adviser Jonathan Pond, as quoted by *Bloomberg*’s Charles Stein (“Stock”).

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More precisely, neither camp seems very adept at outperforming the market. As Gold wrote in an October 25, 2013, *Marketwatch* piece, “Year after year, decade after decade, evidence has piled up that neither individual nor professional investors can outperform broad market indexes consistently over long periods of time.” Gold included fund managers, active traders and other institutional investors in his assessment, of which less than one percent outperformed the market. The evidence overwhelmingly suggests the effectiveness of passive investments in ETFs and index funds, much to the chagrin of alpha-seeking investors and active account managers. The success of passive management approaches is not lost on investment managers. Mariposa Capital Management, a Los Angeles-based investment boutique firm, proudly advertises that its investment strategy includes passive recommendations because “extensive research has shown that active managers rarely beat the market on a consistent basis” (Mariposa, “Our Approach”).

## ***The Institutional Investing Market***

*Investopedia* defines an institutional investor as a “non-bank individual or organization that trades securities in large enough share quantities or dollar amounts that they qualify for preferential treatment and lower commissions” (*Investopedia*, “Institutional”). While retail investors (i.e., individual investors) may seem like more visible sources of investment dollars, institutional investors actually comprise a greater share of the investing market (Matras, “Zacks”).

Julie Segal of *Institutional Investor* describes this phenomenon, writing in September 2013 that “in five decades the markets have gone from what could almost be described as sleepy, dominated by individual investors’ buying and holding stocks and bonds, to one wholly dominated by institutional investors,

professional asset managers and *Jetsons*-like technology” (Segal, “Beating”).

According to findings cited by *ThinkAdvisor* in Cerulli Associates’ *Institutional Markets 2013* industry report, the total U.S. institutional market was valued at \$14.5 trillion at year-end 2012, and is expected to reach \$19 trillion in assets by 2017 (Sullivan, “Cerulli”). However, *IBISWorld* research shows that the annualized growth rate for institutional investment is declining, citing “the recession and subsequent low-interest rate environment” for the winnowing inflows into institutional holdings (Hoopes, “Open-End,” p. 17).

Pension funds, university endowments and life insurance companies are examples of institutional investors. Often, these fund sponsors hire professional consultants or investment managers to handle their large investment accounts. In fact, institutional investors were anticipated by *IBISWorld* to account for 85.3 percent of the portfolio management industry’s revenue in 2013 (Hoopes, “Portfolio,” p. 14). *IBISWorld* cites 2010 stock market data from a pair of University of Pennsylvania researchers indicating that 66.2 percent of the market value of stocks on NYSE and 71.6 percent of the market value of Nasdaq stocks were controlled by institutional investors. The report further states that:

“Financial markets have been increasingly reliant on trades made by institutional investors, including banks, insurance companies, retirement and pension funds, hedge funds and mutual funds. These firms use exchanges to buy and sell securities for their own accounts” (Hoopes, “Stock,” p. 16).

The *IBISWorld* report also indicated that institutional investors “are anticipated to account for 62.7 percent of total industry revenue” in 2013, while the number attributed to retail (or individual) investors was just 28.3 percent (Hoopes, “Stock,” p. 16).

## ***Institutional Investing Trends***

One notable trend in the institutional investing market in 2013 was the continued shifting of fixed investments into hedge funds and alternative funds. According to Agecroft Partners chairman and hedge fund

consultant Don Steinbrugge, institutions that shifted assets into diversified hedge fund portfolios in 2013 returned an average of 8.5 percent versus the Barclays Aggregate Index's 1.5 percent return that many pension funds use as their benchmark (Steinbrugge, "Agecroft"). Another trend is the growth of so-called business development companies (BDCs), triggered by "individual investors looking for higher-yielding, if riskier, investments in a world of historically low rates" according to *Institutional Investor's* Segal. Many BDCs offer "direct secured lending to mid-size companies," and are increasingly popular among money managers and institutional credit managers. According to Segal, "BDCs have become so popular that demand for loans exceeds supply" ("BDCs").

As stated previously in this overview, the growing use of exchange-traded assets is actually higher among institutional investors than individuals. A reason for this, according to *IBISWorld*, is that, "ETFs enable investment managers to remain both fully invested in markets and liquid enough to manage their investor inflows," which benefits large institutional investors (Hoopes, "Open-End," p. 10). Another trend gaining popularity among institutional investors, according to Segal, are bond ETFs, which include increasingly popular treasury bonds indexed funds in corporate bond asset classes. "Managers have been able to test the theory that ETFs allow them to better maneuver illiquid and volatile markets," Segal wrote ("Bond ETFs"). BlackRock's iShares, for example, offers more than 60 bond ETFs that are traded on BATS.

## **Globalization of Investing**

An important growing trend is the globalization of investing, which includes domestic investors buying into foreign markets and foreign investors buying into American markets. According to *IBISWorld's* Stephen Hoopes, "Recent trends toward the liberalization and globalization of world capital markets have resulted in greater mobility of investor capital" ("Stock," p. 7). Hoopes sites the "increasing development of technologies" including "computerized trading" as factors in the globalization trend. Stephen Morea, another *IBISWorld* researcher, wrote in December 2013 that,

"Domestic investors, particularly at the institutional level, but also retail investors, have increasingly become global investors, holding international securities directly and through funds" ("Financial," p. 21). While the typical U.S. investment portfolio tends to be heavily weighted toward domestic securities, *CNN/Money* cited Vanguard investment strategist Francis Kinniry's recommendation that portfolios include at least 30 percent of their allocations invested abroad (Lim, "International"). According to Eric Dutram of Zacks Investment Research, ETFs are a strong vehicle for adding international stocks and fixed assets to domestic portfolios (Dutram, "Zacks").

*Money's* Dan Kadlec also notes a changing trend in international investing where some financial advisers are increasingly recommending that their clients reduce their holdings in U.S.-based assets in favor of the diversification of global assets that provide ample return with protection against American economic uncertainty. According to Kadlec, nearly a third of all the mutual stock fund inflows in 2013 were into international funds ("Top Trends"). *IBISWorld* confirmed that "surging global wealth, rising investor demand for high risk-adjusted investment returns, converging global financial and accounting standards and higher financial literacy have continued to drive industry globalization," and points to rising foreign equity and global asset investment by U.S. funds (and fund participants) as further evidence for the trend (Hoopes, "Open-End," p. 24).

## **Crowdfunding**

*Institutional Investor's* Jeffrey Kutler calls crowdfunding "friends-and-family financing for the Facebook age" (Kutler, "Crowdfunding"). While dozens of Web-based business-funding ventures are now available, the most well-known is probably Kickstarter. The site allows a budding entrepreneur to post details about a business idea and seek funding from the masses based on the promise of a cut in the idea's future profits. Crowdfunding initiatives like Kickstarter,

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Selfstarter and British-based Seedrs aim to “bring venture capital opportunities within reach of individual investors,” writes Kutler. An *Entrepreneur* piece posted on November 19, 2013, showed that entrepreneurs were able to raise \$5.1 billion in crowdfunding ventures in 2013, which nearly doubled the amount received in 2012 (Goodman, “Investing”).

Kutler also cites an Austin, Tex.-based program called MicroVentures, whose mission is “connecting angel investors and startups.” The implication is that investors could come from institutional sources, including digitally savvy investment banks. Kutler expects companies like Kickstarter and MicroVentures to benefit from the Jumpstart Our Business Startups Act by making it easier to raise money to get new businesses off the ground. Investment banks are getting into the act and call themselves “crowdfund managers” to tap into this emerging market with a growing pool of interested investors. According to Kutler, “Among those eyeing crowdfunding with interest, and who have access to capital and liquidity, are investors in the financial technology sector.” Since BATS is in a related field, with interest in obtaining IPO listings, it may be a sector to monitor.

A proposed new SEC rule called Regulation Crowdfunding will increase regulation of crowdfunding websites, requiring SEC and FINRA registration, while also capping amounts that can be raised and invested. As of this writing, an official ruling on the proposal is still pending. Information about the Invest Kansas Exemption to state crowdfunding legislation can be found in the Market Regulation and Legislation section of the Appendix.

## ***Technology and High-Frequency Trading***

Innovations in technology have influenced the investment market as much or more than any other factor. The Internet gives investors access to reams of investment data and analysis, often for free, and increasingly in mobile formats that give them

opportunities to capitalize on changes in the market wherever they happen to be. This conceivably gives individual investors the market data they need to self-direct their own investment accounts effectively.

“What is striking is that while professional advice continues to be relevant, online tools are leading the pack on what’s most helpful. This is a critical trend,” said Lara Haas, a senior vice president at E\*Trade Financial, in a press release discussing a market study published on *Businessweek’s* website. “While many investors will always value professional advice, investors are less willing to cede complete control to professionals and instead want more control and insight into their investments” (Business Wire, “Self-Directed”).

Technology is also providing increased access to global markets, allowing greater diversification for retail and institutional investors, asset management firms and investment banks (Carmago, “Self-Directed”).

As mentioned in the previous section addressing retail and institutional investing trends, expanding electronic tools available to investors are decreasing the reliance they once had in their brokers and portfolio managers. Online brokerages offer low costs and access to professional market data for investors, further threatening the traditional financial planning and portfolio management industries (Hoopes, “Open-End,” p. 31).

High-frequency trading, algorithmic programs and the evolution of electronic and alternative trading platforms have all permanently changed the way the financial industry operates. While these practices continue to be scrutinized by regulatory bodies at home and abroad, there is still ample debate about how to define HFT, how risk controls should be implemented, and whether tighter regulation would be good for national and global economies. However, there is no doubt about the influence of algorithmic and high-frequency trading. According to numbers from the Tabb Group cited by *Bloomberg*, HFT accounted for 53 percent of all U.S. stock volume in 2012, a number that has actually dropped from a high of 61 percent in 2008 (Kisling, “U.S. Stock”).

An *IBISWorld* report also cited the growth of “algorithmic trading, and its ability to outperform human

investors” as a factor in why industry revenues from individual investors have declined in recent years and are expected to continue doing so (Hoopes, “Stock,” p. 16). The report explains that algorithmic trading “has given institutional investors an advantage because they have the capital to invest in expensive computer systems that execute these types of trades” (Hoopes, “Stock,” p. 16). Meanwhile, some commentators claim that HFT virtually wipes out any chance that anyone in the market who isn’t a high-frequency trader can compete for the best prices on securities, leading to calls that high-frequency traders have an unfair advantage in the market (Patterson, “For Superfast”).

Answers to the questions surrounding HFT seem to vary based on the interests of the speakers commenting on them. In terms of investing trends, all that should be noted here is that calls for tighter regulation of HFT continue in the U.S. and abroad, with new rules being implemented by regulatory commissions and tighter regulation being scrutinized. HFT also continues to be viewed as a negative influence on markets by many investors, journalists and analysts, despite studies confirming its efficiency and its apparent acceptance as a standard trading practice (Kelly, “High-Frequency;” Touryalai, “NY AG’s;” Patterson, “High-Frequency”).

## ***Market Regulation and Legislation***

The financial industry is carefully regulated by a slew of securities commissions, regulatory associations and government agencies in the U.S. and around the world. Tight regulation of trading practices, exchange operations, brokerage functions and other activities aims to protect investors while attempting to ensure that markets run efficiently. Virtually all activities involved in the financial industry are regulated by some entity, from financial counseling to securities trading.

Regulatory entities can significantly influence BATS’ business operations, technology and profitability, along with that of its members and possibly its members’ clients. For instance, the 2013 appointment of SEC Chair Mary Jo White could result in an effort

to tighten market regulation, while new Fed Chair Janet Yellen could dramatically affect financial market conditions by implementing new economic policies or discontinuing current ones.

Many of the most recent rules and laws directly involve electronic trading, including HFT, as regulators continue to study its long-term impact. Regulatory bodies in locations like Germany, the United Kingdom, Australia and China have issued new HFT rules since the beginning of 2013, while the SEC’s proposed Regulation SCI is just one of the rules and regulations brewing in the U.S. that seek to “govern trading firms’ use of technology,” according to *Bloomberg Law* (Ziliak, “Regulation”).

Another key piece of legislation affecting the U.S. financial marketplace is the JOBS Act, which is discussed further in the IPO market section. A partial list of these and other regulatory entities and key rules and legislation affecting BATS’ stakeholders can be found in the Appendix.

A portion of the JOBS Act seeks to provide tighter regulation for crowdfunding. Known as Regulation Crowdfunding, these regulations could make an entrepreneur’s search for financing more expensive and affect IPO and listings activities if they are adopted. While the SEC’s rules wait to take effect, Kansas’ legislature has already formalized its own crowdfunding regulation. Under the state’s Invest Kansas Exemption, first adopted by the Kansas Securities Commission in March 2011, Kansas startups can receive funding from “non-accredited and accredited investors” in Kansas (Clark, “Kansas;” Invest Kansas Exemption). One key requirement of the legislation holds that the limit an issuer can receive from non-accredited investors is \$5,000 (amended in June 2013 from the original amount of \$1,000) (Securities, “Special Order,” p. 2). This gives investors and equity issuers in Kansas opportunities to engage in crowdfunding initiatives to spur investment in Kansas startups.

## Industry and Competition

### *The Investing and Financial Environment*

While not a comprehensive review of the entire U.S. financial market, the following section of this overview will explore competition within the investing market's key participant groups, including the financial planning industry, securities brokers and stock exchanges. Details about retail and institutional investors – often the buyers in the financial marketplace – have already been examined in detail in the previous section.

### *The U.S. Financial Planning and Advice Industry*

This industry includes financial advisers and planners, who often combine financial planning with other activities, such as portfolio management, insurance planning and brokerage services (Morea, “Financial,” p. 2). A wide range of retail and institutional investors make use of financial planners. According to *IBISWorld*, “financial planning and advice is offered through: independent advisory firms, commercial banks, investment banks, insurance companies, broker-dealers and discount brokerages” (Morea, “Financial,” p. 20). It is an industry that is expected to grow in the near future as baby boomers near retirement and Generation X and Generation Y workers reach higher levels of affluence. *Entrepreneur's* Jud Bergman cited survey data from Cerulli Associates in a March 25, 2014, article that found, “The percentage of affluent and nearly affluent households investing with financial advisers grew from 50 percent in 2008 to 84 percent in 2012, reflecting the challenges presented by increasingly complex financial markets as well as individuals' desire for more personalized and effective investing strategies” (“How Independent”).

The industry faces stiff competition both externally and internally. Externally, many investors use do-it-yourself investing methods in part due to the

availability and quality of financial data online. Internally, competition derives from larger companies that attract advisers (and their clients' assets) from smaller firms (Morea, “Financial,” p. 9). This merging of firms is a notable feature of the industry. According to *IBISWorld*, “Large U.S. banks and broker-dealers are increasing their share of the financial planning and advice industry as they offer their clients more wealth management services and seek to expand the cross-selling of financial products. Many are expanding their activities by acquiring existing financial advisory businesses” (Morea, “Financial,” p. 11).

An increasingly important sector of this industry is foreign investors. Notably, *IBISWorld's* October 2013 report on this industry stated that, “the number and value of assets of high net-worth individuals in emerging economies is growing at a faster rate than high net-worth clients within the U.S.” (Morea, “Financial,” p. 11). Domestically, high net-worth individuals are the most significant market group for financial advisers (with some financial institutions offering specialized wealth management services for their most wealthy clients), followed by corporations, charitable organizations, state or municipal governments and pooled investment vehicles such as hedge and pension funds (Morea, “Financial,” p. 14). According to *IBISWorld's* report, individuals and households account for 42.9 percent of the market, followed by businesses at 27.7 percent (Morea, “Financial,” p. 15).

The four largest participants in the industry are Morgan Stanley, Wells Fargo, Bank of America and Ameriprise Financial, which accounted for an expected 70.5 percent of industry revenue in 2013, according to *IBISWorld* (Morea, “Financial,” p. 3). These large firms compete with each other primarily through their range of services and associated fees, while smaller firms and independent advisers compete largely by offering services free of ties to particular investment products (Morea, “Financial,” p. 20).

### *The Portfolio Management Industry*

*Investopedia* defines a portfolio as “a grouping of financial assets such as stocks, bonds and cash

equivalents, as well as their mutual, exchange-traded and closed-fund counterparts. Portfolios are held directly by investors and/or managed by financial professionals” (“Portfolio,” *Investopedia*). According to *IBISWorld*, portfolio managers “manage assets for investment vehicles such as mutual funds, hedge funds and variable insurance products” for their clients, with the “authority to make investment decisions and generate revenue through that are based on service and portfolio performance” (Hoopes, “Portfolio,” p. 2). Major financial institutions offer portfolio management services, including asset management firms, investment banks and brokerage firms. In terms of globalization, demand for internationally savvy managers is on the rise. It is also important to note that four of the 10 largest asset management firms (Allianz Group, AXA Group, BNP Paribas and Deutsche Bank) are all based outside the U.S. (Hoopes, “Portfolio,” p. 21).

Competition comes primarily from securities brokers (including online brokers), financial advisers and technological innovation that makes account self-management easier for individual investors. However, that same technological innovation is also providing portfolio managers access to globalized financial markets allowing for greater diversification into emerging markets. According to *IBISWorld*, new technologies are also allowing managers to “better adapt to changing consumer tastes and offer more personalized services to consumers” including specialized products for specific demographic groups (e.g., for retirees) (Hoopes, “Portfolio,” p. 9). It is also important to note, as *IBISWorld* shows, that institutional investors were anticipated to account for 85.3 percent of the portfolio management industry’s revenue in 2013, with the bulk of those in the form of pension funds (Hoopes, “Portfolio,” p. 14).

While past performance is an important factor in obtaining new clients for portfolio managers, the current performance of their accounts plays the deciding role in whether they keep them. Much like big-name mutual funds, reputation plays an important role in attracting and retaining customers (Hoopes, “Portfolio,” p. 18).

Portfolio management firms generally see declining revenues and assets under management (AUM) in periods of substantial market uncertainty, which included the 2008-2009 recession. Industry revenue growth has increased in the years since the recovery, “due to growing demand for professional investment services, improving capital markets and declining expenses,” although profit continues to decline as a result of increasing client preference for the lower fees associated with passive asset managements (Hoopes, “Portfolio,” p. 4).

According to *IBISWorld*, another predominant trend related to the portfolio management industry is the shift in customer preferences from actively managed funds “toward indexing and passively managed products” (Hoopes, “Portfolio,” p. 7). *IBISWorld* shows that firms promoting the value of their active management are reluctantly joining the trend, growing client assets with passive approaches to patch declining AUM (Hoopes, “Portfolio,” p. 7, Hoopes, “Portfolio,” p. 19). The Fed’s anticipated tapering, allowing for a rise in interest rates and bond yields, will increase AUM for portfolio management firms when the plan is finally initiated.

The portfolio management industry is expected to continue its trend of firm consolidation and acquisition in the near term. A primary beneficiary of this trend is BlackRock, the world’s largest publicly traded investment firm. BlackRock acquired Barclays Global Investors in 2009, and is this industry’s “dominant player,” with nearly \$4.1 trillion in AUM, according to *IBISWorld* (Hoopes, “Portfolio,” p. 18). In addition, the value of distribution networks and the customer referrals they provide will also continue to be a critical aspect of this industry. Vanguard, State Street and Fidelity are other firms with significant market share in this industry (Hoopes, “Portfolio,” p. 24).

## ***Securities Brokering***

*Investopedia* defines a security as, “A financial instrument that represents: an ownership position in a

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publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option.

A security is a fungible, negotiable financial instrument that represents some type of financial value. The company or entity that issues the security is known as the issuer” (“Security,” *Investopedia*). Securities brokerages buy, sell and issue a wide range of securities, including stocks, bonds and mutual funds. According to *IBISWorld*, “Brokerages match a client’s buy order with a third party’s sell order, or they can fulfill the client’s order with their own investment products” (Goddard, “Securities,” p. 4).

Industry revenue comes from service fees and commissions (Goddard, *Securities*, p. 4). Many brokerages are looking to expand their range of services, offering financial planning and analysis, meaning that many of the same industry trends and details in previous sections of this analysis also will pertain for the security brokering industry (Goddard, “Securities,” p. 13).

Institutional investors account for 65 percent of the total brokerage industry’s revenue, while retail investors accumulate 35 percent, according to an *IBISWorld* report (Goddard, “Securities,” p. 15). Revenue from institutional investors has grown during the economic recovery, in part because of the increasing popularity of ETFs (40 percent of industry revenue), master trusts and retirement investments like pension plans and 401(k)s (Goddard, “Securities,” p. 15).

Trends in securities brokering include innovations spurred by technology, including Web-based trading and the rise of online and discount brokers for which brokerages had to adapt or risk losing significant revenue. Examples of these include Charles Schwab, Scottrade and TD Ameritrade. According to *IBISWorld*, the speed and volume of worldwide trading was dramatically increased by “new electronic trading technologies for generating, routing and executing securities orders,” which included automatic trading systems (including BATS) that eliminated the need for brokers (Goddard, “Securities,” p. 7).

Disintermediation, which an *IBISWorld* industry report refers to as “the withdrawal of funds from intermediary financial institutions in order to invest them directly,” allows institutional investors “the opportunity to match trades without using a broker as an intermediary.” The result, the report states, “makes the role of securities brokers irrelevant” (Goddard, “Securities,” p. 7). The effect emerging technologies are having on the market is apparent as the report continued:

“A surge of new ATS platforms has entered the market to compete with traditional exchanges. Some of these electronic exchanges have the financial backing of large financial institutions, which are not only the owners but also the users of these trading systems. Many of these systems have very low cost structures and seek to attract volume by offering competitive pricing and fast trading at the short-term expense of revenue and profit” (Goddard, “Securities,” p. 7).

The lower trading cost structures have particularly affected revenues from institutional investors. According to *IBISWorld*, brokerage commissions from institutional investors has fallen over the last decade “due to a sliding scale of commissions based on transaction values and trade volume and due to the stronger negotiating position held by institutions” (Goddard, “Securities,” p. 15–16). The industry’s response to the lower cost structures was algorithmic trading, which particularly benefits large institutional investors and the brokerages that serve them. Institutional investors may also have the option to participate in upcoming IPOs offered through large full-service financial institutions that include brokerage services (Goddard, “Securities,” p. 16).

Different types of brokerages serve different types of retail investors. Discount online brokers attract commissions from day traders and individual investors based on platform features, accounting for an estimated 20 percent of the market, according to *IBISWorld*. High net-worth retail investors account for 15 percent of the market and prefer the wide range of specialized wealth management services offered by large commercial and investment banks. The higher fees for these specialized services, along with firm consolidation and improved service offerings drive growth in the retail

brokerage segment (Goddard, “Securities,” p. 16). Interestingly, access to IPOs is an increasingly common option within the expanded service offerings of online brokers catering to retail investors (Goddard, “Securities,” p. 21).

Brokerage industry revenues were affected by the recession as much as any financially related industry, and still remained well below pre-recessionary levels in December 2013. Mergers and acquisitions are playing a key role in carving out full-service financial industry leaders, with acquisitions by giants such as Bank of America (Merrill Lynch), JP Morgan (Bear Stearns and Washington Mutual), Wells Fargo (Wachovia) and Morgan Stanley (Smith Barney) (Goddard, “Securities,” p. 6).

The result of new trading methodologies, as well as the trend of integration of brokerages into larger financial conglomerates, has forced brokers to adapt. According to *IBISWorld*, as many as 70 percent of brokers, including online brokers, have expanded their services to include investment advising. In addition, brokerages have incorporated new fee structures, including bundled flat fees and asset-based fees, which provide steady revenue from retail investors (Goddard, “Securities,” p. 21, Goddard, “Securities,” p. 14).

## ***Investment Banking and Securities Dealing***

The investment banking and securities dealing industry is the backbone of the U.S. financial market. Through these firms, markets for issuing securities are underwritten, created and maintained (Hoopes, “Investment,” p. 2). As with other industry segments included in this analysis, the weakened economy triggered significant merger and acquisition within the industry, creating major financial conglomerates with wide service offerings such as broker-dealer trading and market making, along with more common services like wealth management, financial planning and corporate financial services. According to *IBISWorld*, the top companies in the industry are J.P Morgan Chase (14.3 percent of market share), Bank of America (13.0 percent), Goldman Sachs (9.6 percent), Morgan Stanley (9.3 percent) and Citigroup (7.2 percent) (Hoopes, “Investment,” p. 4).

The collapse of investment banks through the U.S. subprime mortgage crisis in 2007 led to the crippling global economic recession from which the world has yet to fully recover. It also led to federal regulatory policies that facilitated economic recovery, such as the Fed’s quantitative easing program, which fundamentally affects the fortunes of the entire U.S. financial marketplace. The underpinnings of the industry are the positive or negative changes in corporate profit that affect equities markets, which affect the trading and business activities that enable (or restrict) investment banks to earn (or lose) trading, underwriting and advisory revenue.

Financial markets are built around buyers and sellers of securities. Investment banks and securities dealers accordingly provide services for both of these segments. Sell-side services include underwriting equity and debt securities, brokerage services, market making and high-risk proprietary and principal trading. On the buy side, services include facilitation of the purchase of these issued securities by institutional investors and the general investing public through research, advising and investment management services (Hoopes, “Investment,” p. 7).

According to *IBISWorld*, investment banking services have adapted to changing market technologies, such as HFT and electronic trading. Those trends “led to the development of larger, full-service investment banks that derive substantial portions of their revenue from trading activities, as opposed to traditional investment banking activities” (Hoopes, “Investment,” p. 7). Like other financial industries, investment banks are increasingly global organizations, offering investors access to foreign markets while generating significant portions of their revenue from foreign investors (Hoopes, “Investment,” p. 27).

Investment banks also play a crucial role in raising capital for companies seeking to launch IPOs and are thus a critically important segment in one of the initiatives being explored by BATS.

# Secondary Research

## **Venture Capital**

*Investopedia* defines venture capital as “money provided by investors to startup firms and small businesses with perceived long-term growth potential. This is a very important source of funding for startups that do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above-average returns” (“Venture Capital,” *Investopedia*). According to *IBISWorld*, venture capitalists are part of an industry that invests in different types of financial contracts seeking to earn a profit – not for clients but for themselves or their firms (Goddard, “Venture,” p. 2).

The industry includes venture capital firms, individual venture capitalists, angel investors, investment clubs and day traders. Access to capital is the critical component for participation in this industry, and when capital is hard to come by, investment declines. As a result, it is a segment of the financial marketplace that has struggled through the recession and slow recovery as “financial market conditions prevented them from profitably exiting investments, either through a portfolio company’s IPO or by selling to a larger organization” (Goddard, “Venture,” p. 4).

According to data from the National Venture Capital Association, total venture capital investment in 2013 was \$29.4 billion spread over 3,995 venture deals (Recent Stats, “NCVA”). There are many different types of venture capitalists, as illustrated in *IBISWorld*’s report on the industry. Venture capitalists can be individuals or enterprises “engaged in providing capital to startup companies” (Goddard, “Venture,” p. 12). They can include angel investors, who are high net-worth individuals (or groups of individuals) who provide their own funds while also offering their experience or mentoring capabilities for the venture. Corporate venturing or direct investing taps parent company funds to “invest in companies that are aligned with the parent company’s operations and may provide synergies or cost savings for the parent company” (Goddard, “Venture,” p. 12). Venture capital firms are

often limited partnerships looking for high returns by investing in startups.

There are different types of venture capitalists depending on the point at which they provide the capital within the life cycle of the startup business. Seed capitalists provide funding extremely early in a business’s existence, perhaps when the company is only an idea the potential founder is floating to investors. Early-stage venture capitalists invest in the first few stages of a company’s development, while later-stage investing provides capital for companies to explore an IPO or a potential merger or acquisition into a larger company (Goddard, “Venture,” p. 13).

The success of venture capital investors is closely tied to the health of financial markets, since strong markets spur venture capital investment gains. According to *IBISWorld*, “A rising stock market normally supports a strong IPO market, providing venture capitalists with the opportunity to maximize returns when exiting an investment” (Goddard, “Venture,” p. 14). This is positive news for companies thinking about launching IPOs, since most analysts predict that the U.S. market will grow, at least in the short term. However, when the Fed raises interest rates and fixed assets become more attractive, IPOs could suffer from lower equities valuations. The cost of borrowing will consequently rise, which will negatively influence investment. New higher taxes on long-term capital gains also threaten the market, since the higher taxes make investing less profitable (Goddard, “Venture,” p. 9).

*IBISWorld* cites National Venture Capital Association research showing that the number of IPOs is still below pre-recession levels. The report also states, “In recent years, there has been a trend toward fewer but larger IPOs, such as those for Facebook and Twitter,” and suggests that these high-profile offerings draw investor attention and make it more difficult for smaller companies to find funding (Goddard, “Venture,” p. 7).

Equity securities are the most widely traded asset by this segment of the industry, although *IBISWorld* also includes options, fixed-income, derivatives and commodities contracts as increasing in trading activity. The purchase of these securities provides capital for companies to grow (Goddard, “Venture,” p. 6). Like other

financial industries, venture investment and principal trading has also undergone structural transformation due to technological innovations that have increased the speed and volume of trading worldwide. The new technologies are a particular benefit for this industry, since “the emergence of new technology is often a signal for the formation of new companies seeking capital and other assistance to successfully expand” (Goddard, “Venture,” p. 14).

Venture capitalists compete for the best investment opportunities. According to *IBISWorld*, venture capitalists “compete with other venture capitalists, private equity firms, investment banks and specialty finance companies,” each with its own costs and funding models (Goddard, “Venture,” p. 21). Interestingly, as *IBISWorld*’s report shows, “While venture capitalists compete for investment opportunities with private equity firms and investment banks, they also depend on them for referrals of investment opportunities” (Goddard, “Venture,” p. 21). Principal traders also compete for contracts that offer the best opportunities for strong market returns.

Although some experts view equity crowdfunding as a threat to venture capital business, *Entrepreneur*’s Scott Shane wrote an October 7, 2013 article showing several reasons why this is not likely. Shane mentioned funding limits – businesses are limited to raising \$1 million through crowdfunding, but the average venture deal in 2013 was \$4 million – and the advice and connections venture capitalists like providing to new entrepreneurs as reasons for his opinion. Shane also pointed out that venture capitalists can also join in the crowdfunding trend if missing funding opportunities become more frequent (“Why Equity”).

A more thorough examination of the IPO process and industry is included in the IPO section of this analysis.

## ***U.S. Securities Exchanges***

The competitive landscape of the U.S. stock exchange marketplace, once dominated by two well-known exchanges on Wall Street, has changed in recent years. Approximately two-thirds of the industry’s market share is held by the two major legacy players (NYSE and

Nasdaq) and BATS Global Markets, which is climbing the volume market share ladder with the recent Direct Edge merger (Hoopes, *IBISWorld*). Advances in trading technologies spurred the fragmentation in the industry, with startup companies like BATS and Direct Edge eroding the market share for longer-established companies.

The BATS-Direct Edge merger and the November 2013 acquisition of NYSE by IntercontinentalExchange, Inc., returns some market share concentration to the industry, but technology-centric smaller companies still have opportunities to steal volume from the major players. According to *IBISWorld*, factors that contribute to an exchange’s success (and form the basis for industry competition) include:

- fast and efficient trading;
- ease of use and performance of trading systems;
- compliance with government regulations;
- market liquidity and functionality;
- adaptability in introducing new products for new clients;
- reliability of operations and accuracy of market data;
- access to emerging markets globally, and
- possessing a good corporate reputation.

A review of historical financial performance by the major players in a 2013 S&P ratings article provides some explanation of recent industry activity and indicates that the industry isn’t done changing (“Exchanges Technical Glitches,” Standard and Poor’s).

For example, NYSE’s revenue declined two of the past four years and was somewhat unchanged the other two years. In comparison, Nasdaq’s revenue declined four of the past five years. BATS’ revenue, on the other hand, declined only once in the past six years (2010) and increases were significant in most years.

In terms of operating income, NYSE suffered significant losses in two of the past five years, whereas Nasdaq experienced declines in three of the past five years. Unlike its competitors, BATS experienced

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increases in operating income in each of the past five years – a feat accomplished even without Direct Edge’s equally impressive recent financial performance.

Another industry trend is that the major players are participating in U.S. acquisitions and expansion of platforms abroad in an effort to increase profit margins through higher liquidity and increased scale. The globalization of the industry’s operators is a strategic move, since non-U.S. companies that have previously listed on U.S.-based exchanges are now moving listings back to their own foreign emerging markets as exchanges experience changes in regulations and advances in technology and communications.

## Other Sources of Industry Competition

While most of the attention given to U.S. equities exchanges focuses on NYSE, BATS and Nasdaq, there are other sources of industry competition.

According to S&P, stock exchanges face increased competition from alternative trading systems (ATSs) such as electronic communication networks (ECNs) and dark pools, as well as multilateral trading facilities (MTFs), the European equivalent of ATSs (StandardandPoors.com).

“As a result, the market share of the registered stock exchanges has generally been falling,” S&P noted. “A significant number of trades bypass the registered exchanges and go to dark pools and internalizers. Dark pools are trading platforms where buyers and sellers of stocks remain anonymous and their orders are hidden until they are processed. Internalizers are brokers that match orders within their own firms, allowing them to avoid exchange fees.”

S&P continued, “The amount of trades executed on non-displayed venues soared to almost 40 percent of U.S. trading volume in 2012 from approximately 9 percent in 2008, according to data from Rosenblatt Securities.”

According to an S&P article in Sept. 2013, “in the U.S. today there are 16 SEC-registered securities exchanges and more than 50 ATSs” (“Exchanges Technical Glitches,” Standard and Poor’s). Before 2005, the NYSE and Nasdaq dominated the equities market. This fragmentation has led investors to rely on the interconnectivity among a myriad of fragmented pools of liquidity. This interconnectivity means problems at one exchange could jeopardize functionality at others. For example, when Nasdaq halted trading on Aug. 22,

### Historical Market Share Of Major U.S. Exchanges

(%)	NYSE (NYSE Floor, Arca, MKT)	NASDAQ (Nasdaq, PSX, BX)	BATS (BZX, BYX)	Direct Edge (EDGX, EDGA)
2005	49.9	25.4	N/A	N/A
2006	48.4	27.3	0.9	N/A
2007	42.9	28.8	4.9	N/A
2008	35.2	29.9	9.6	4.7
2009	29.4	23.1	10.2	10.9
2010	27.7	22.2	10.2	9.6
2011	26.6	21.2	11.2	9.5
2012	24.0	20.7	11.9	9.3
2013*	22.7	18.6	10.4	10.7

\*As of July 2013. N/A--Not applicable. Source: Raymond James.

(Source: “Exchanges Technical Glitches,” Standard and Poor’s)

2013, other stock exchanges, including NYSE, BATS and Direct Edge, also had to stop trading in Nasdaq-listed securities.

*IBISWorld* anticipates that, through 2018, dark pools and over-the-counter markets are anticipated to provide mounting competitive threats to traditional securities exchanges. The research organization bases this projection on its belief that new entrants into the market, mostly small players focused on algorithm derivatives trading, will outweigh domestic consolidation.

## ***Alternative Trading Systems (ATs)***

Specifically designed to match buyers and sellers who trade very large quantities, ATs are gaining popularity worldwide. This type of trading, not regulated as an exchange, accounts for much of the liquidity found in publicly traded issues.

ATs examples include ECNs and dark pools. ECNs register with the SEC as broker-dealers and display orders in consolidated quote streams. ECN orders are placed by ECN subscribers who typically include only broker-dealers and certain institutional investors. Individual investors connect to ECNs through accounts with broker-dealers subscribing to the ECN. Dark pools, on the other hand, are run by investment banks and the trades are concealed from the public. Some institutions, including major players in the equities industry, believe that more transparency is needed in dark pool activity so the trade is fair for all investors.

In a June 2013 article titled “As Dark Pools Darken, Threat to Financial Markets Grows,” *Securities Technology Monitor* featured commentary from editors at *Bloomberg* (SecuritiesTechnologyMonitor.com). The article said, “Dark pools arose in the 1980s when the SEC said brokers could bring together buyers and sellers to trade anonymously. Rather than routing customer orders to the traditional exchanges, brokers could send them to an outside trading service or execute orders on their own internal systems, pocketing the spreads on prices and trading fees. Today, as much as 40 percent of trading in U.S. equities takes place away from the public stock exchanges.” Credit Suisse Group AG’s Crossfinder and Morgan

Stanley’s MS Pool are two of the major dark pool players.

*Bloomberg* said that much of the increase has come at the expense of U.S. legacy exchanges. “There even are signs that dark pools are picking up the business of small investors, based on research that shows the average dark-pool transaction involves just 200 shares,” according to *Bloomberg* (“As Dark Pools Darken,” SecuritiesTechnologyMonitor.com).

This large volume of trading has caused both regulatory bodies and exchanges to question the regulations and requirements for operators of dark pools. For example, in June 2013, leadership of NYSE, Nasdaq and BATS asked for new limits on dark pools and other competitors. The concern was that too much trading through dark pools had become hidden on private venues, and this trading created more cost and volatility in public markets.

More recently, in early February 2014, a majority of the five-member SEC said the agency should review whether stock exchanges should continue to have regulatory roles that include overseeing members who may run competing venues. Advocates of such a review say the special status, which dates back to the rules first set up for licensed exchanges years ago, creates benefits and burdens for exchanges: they must compete with venues that do not have to follow as many rules while also having a level of authority over brokers that operate the competing trading systems.

*Bloomberg News* reported on Feb. 11, 2014, “SEC Chairman Mary Jo White and Commissioner Daniel M. Gallagher have said the exchanges’ regulatory roles may be at odds with their need to compete with trading venues including dark pools, which, unlike traditional exchanges, do not list bid and offer prices for the rest of the market to see” (Michaels, *Bloomberg*).

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## ***Multilateral Trading Facilities (MTFs)***

European retail investors and investment firms looking for an alternative way to exchange a grouping of non-typical assets between multiple parties use MTFs. Typically, MTFs are electronic-based systems controlled by approved market operators or larger investment banks. Before it was acquired by BATS in 2011, Chi-X Europe was the largest MTF by volume. BATS Chi-X Europe continues to hold the top ranking today.

## ***Over-the-Counter Trading***

When a company is small and unable to meet listing requirements of the major exchanges, its stock can be traded over-the-counter. “Unlisted stocks” are securities traded by broker-dealers who negotiate directly with one another over computer networks and by phone.

## **The IPO Market**

### ***Global Overview***

Improvements in equity returns helped global initial purchase offering (IPO) proceeds increase by 37.5 percent to \$137 billion in 2013. North America led the world in market share for the first time since 2004 by accounting for 36 percent of the capital raised (\$51.7 billion). The Asia Pacific region recorded the second-most capital raised with \$44.9 billion, followed by Europe’s \$26.9 billion. Globally by sector, financial and consumer industries took the top two spots, raising \$46.1 billion and \$24.4 billion, respectively. Technology IPOs topped the return list, averaging 43.8 percent per return. Healthcare recorded the second-most per return with 27.9 percent (“Renaissance Capital Group,” IPO Center). According to Renaissance Group, a company specializing in IPO movement, “As equity returns advance, we expect IPO issuance to remain active in 2014.”

### ***U.S. Overview***

In 2013, U.S. IPOs charted a banner year within the backdrop of a rising stock market with reduced

volatility and lowered interest rates. IPOs surged in 2013 with 222 companies going public (a 73 percent increase from 2012) and \$55 billion raised through the offers (a 29 percent increase from 2012). Private equity, a calmer market, and venture capital deals also led to a rich environment for active IPO listings. The IPO number in 2013 outperformed the previous two years that included the flubbed Facebook offering, the fiscal cliff and the European debt crisis. IPO numbers in 2013 surpassed all IPO performances stretching back to 2000 (“Renaissance Capital Group,” IPO Center).

The 10 largest IPOs from a variety of sectors “mostly represented by leveraged buyout and spin offs,” generated \$16 billion on 2013, according to Renaissance Capital. Nearly 80 percent of the year’s deals finished above issue. The average U.S. IPO reached a return of 41 percent. Remarkably, fewer pricing discounts were required, with only 29 percent of the year’s deals priced below the initial range.

The average age of companies going public between 1997 and 2001 was approximately 5.5 years, according to “Rebuilding the IPO On-Ramp,” issued by the IPO Task Force. Renaissance Capital reports that 16 years was the average age for a company launching an IPO in 2013. Tom Taulli, a financial adviser to startups and a *Forbes* contributor, echoed the trend of companies waiting longer to go public. Taulli noted that despite the JOBS Act’s aid to lessen the challenge to “go public,” Sarbanes-Oxley’s requirements remain relatively demanding. Also, listing an IPO remains expensive. “Because of these things, companies are waiting longer to go public. All studies point to that,” Taulli said. “It may not be just regulation. It could be because it takes a while for a company to get to the point where you need the kind of things that institutional investors want now: predictability, reputable business model, big market opportunities. All of these take time to develop.” Taulli mentioned a company like Facebook waited eight years to go public. As a comparison, he said if it were the ‘90’s, Facebook would have possibly gone public in three years.

“Filing activity rebounded strongly in 2013 with 258 new filers compared to 140 in 2012, matching levels seen prior to the JOBS Act (258 in 2011; 253

in 2010),” according to Renaissance Capital. The group also predicts, “With positive investor sentiment, low volatility levels and improving economic conditions setting the stage for another strong year for U.S. stocks, we expect the U.S. IPO market to remain healthy in 2014.” Maria Pinelli reported in an Ernst & Young press release, “We expect 2014 to be a record year, with economic fundamentals and strong global liquidity fueling new listings. The pace will be set in the first quarter – we anticipate that total proceeds for Q1’14 could be in the range of US\$35-US\$45 billion, on a global volume of 250-300 deals. The forecast would re-set IPO activity on par with 2005-2008 first quarter levels. Sectors which will lead the way include technology, real estate and the financial sectors” (Podoyntsyn, “2014 to be a Record Year”).

KCSA Strategic Communications conducted in-depth interviews with nearly 50 securities attorneys whose firms advised on 40 percent of the IPOs listed on major U.S. stock exchanges during 2013. When asked what industries will have the most IPOs in 2014, respondents said: technology (44 percent), healthcare (29 percent), financial services (15 percent), energy (8 percent) and retail (4 percent).

## ***The JOBS Act***

The JOBS Act is a U.S. law that aims to encourage funding for small businesses by easing securities regulations for listing an IPO. The new law, passed in April 2012, provides startups, small businesses and entrepreneurs with new methods to raise funds.

The JOBS Act provided a positive impact on pre-IPO companies, according to KCSA Strategic Communications. KCSA found that 86 percent of the 50 securities attorneys surveyed considered the JOBS Act successful in making it easier for smaller companies to access public markets. The KCSA survey results listed the advantages for companies under the JOBS Act as including the ability to file without public scrutiny (31 percent), testing the market’s appetite (22 percent), reducing costs (17 percent), crowdfunding capabilities (14 percent), and reducing financial requirements (11 percent).

The JOBS Act cannot solely account for the in-

crease in IPOs. “The JOBS Act has certainly eased some of the regulatory filing requirements of the IPO process, said Michael Kaplan, co-head of the capital markets practice at Davis Polk & Wardwell LLP. “While we are seeing an increased number of companies taking advantage of the confidential filing system afforded by the regulation, we think the increase in number of filings is largely due to the overall strength of the IPO market, not companies which found the pre-JOBS Act IPO process prohibitive (KCSA Strategic Communications).

## ***Pre-IPOs***

Nasdaq may change the game as a response to increased IPO listing competition from the NYSE. Nasdaq is building a trading platform for pre-IPO companies because of the relaxed regulatory mandates from the JOBS Act, which allows private companies to have as many as 2,000 shareholders. “Nasdaq has also entered a joint venture with SharesPost Inc., which is a pioneer of the pre-IPO market,” Taulli said. He notes in an article on *Investorplace.com*, “The move may seem counterintuitive by making it easier for companies to get liquidity; there may be less incentive to do an IPO.”

In a phone interview with Taulli, he added, “The business model may make some money, but it could be more of a loss leader. Because at the end of the day, they just want to get more listings.”

The pre-IPO market could help Nasdaq create relationships with founders and executives who will look for liquidity for their equity holdings. There also will be an opportunity to provide guidance on personal financial matters. Nasdaq’s move demonstrates innovation, which appeals to the insiders of early-stage companies.

Taulli added that he would not be surprised if the NYSE copies Nasdaq’s pre-IPO platform. Taulli sums up the move: “Nasdaq’s pre-IPO effort does look like a smart move. It should help with revenues and provide a pipeline for IPO transactions. But,

## Summary of JOBS Act and How It Alters Securities Laws (according to Kathy Kristof)

- Raises from 500 to 2,000 the number of shareholders a company may have before it is forced to register its common stock with the Securities and Exchange Commission.
- Allows private companies, including hedge funds, to advertise to investors. But the act allows companies to accept funds only from accredited investors – that is, investment professionals, those who earn more than \$200,000 a year or those who have in excess of \$1 million in assets.
- Allows securities “crowdfunding” through investment portals, but limits the amount that individuals with modest means can invest to a percentage of their annual income or assets.
- Exempts “emerging growth companies” – those with total annual gross revenues of less than \$1 billion – from some of the more stringent financial-reporting requirements of Sarbanes-Oxley, the 2002 law that rewrote accounting and disclosure rules for public companies.
- Expands the ability of private companies to raise capital through limited stock offerings.

most importantly, it is likely to be a helpful service to early-stage companies – which will ultimately help the Nasdaq build trust with the founders and senior officers of tomorrow’s public companies.”

“The JOBS Act could persuade more startups to remain private,” said Nasdaq OMX Group Chief Executive Officer Robert Greifeld, in regard to Nasdaq partnering with SharesPost. Remaining private provides benefits to companies that want to avoid the arduous paperwork, the expense of a public listing and the relentless scrutiny of analysts and investors. Nasdaq is pitching its new exchange as a way for private companies to let workers cash out some of their shares rather than being forced to wait for an IPO or an acquisition.”

Obstacles await Nasdaq’s move to the private market. “The best companies don’t need this exchange, and the bigger institutional investors don’t need a middleman,” says Lise Buyer, a former Internet analyst who now runs Class V Group, an IPO consultant (Mamundi & Levy).

### **Nasdaq**

Nasdaq finished 2013 with \$15.6 billion in IPO capital raised behind NYSE and Hong Kong exchanges

from a global perspective. In 2012, Nasdaq took the number-two spot globally with \$22 billion in capital raised. Nasdaq placed second globally, behind NYSE, in the number of listing in 2013 with 108 IPOs, up from 54 in 2012.

Through the years, Nasdaq has earned a reputation with technology IPOs by gaining listings from heavyweights such as, Apple Inc., Microsoft Corp, Google Inc. and Amazon.com Inc. Nasdaq’s reputation suffered critical damage after mishandling Facebook’s IPO in 2012. Nasdaq, once a tech IPO magnet, likely lost Twitter’s massive 2013 IPO to the NYSE because of the Facebook IPO mismanagement.

Nasdaq has suffered IPO market-share loss as the NYSE places a focus on gaining tech IPOs. In 1999, before the dot-com bubble burst, Nasdaq had 246 tech IPOs, or 95 percent of the listings, while the NYSE held just seven, or 2.7 percent, according to Thomson Reuters data. In 2013, the NYSE held 52 percent of the tech IPOs (McCrank). Nasdaq also felt the negative effects of fallout from a “flash freeze” in 2013 when trading in its listed stocks halted for several hours (Schaefer).

As mentioned in the IPO Industry Overview, Nasdaq is looking at innovation in the private market by creating a platform for trading shares of unlisted companies in a joint venture with SharesPost Inc. SharesPost lists more than 200 private companies,

such as Pinterest, Foursquare, eHarmony and Tumblr. “We’ll be involved much earlier with these private companies and eventually we hope they’ll go public on Nasdaq,” said Bruce Aust, head of Nasdaq’s listings business the past decade (McCrank).

## **NYSE**

The NYSE produced \$44.1 billion in capital raised from IPOs to lead the world in 2013. With favorable economic conditions in 2013, the NYSE nearly doubled capital raised from \$24 billion in 2012. The NYSE, known as the “Big Board,” accounted for 112 listings to lead the world, up from 78 in 2012.

The NYSE grabbed headlines with the successful listing of Twitter in 2013. The Big Board shrewdly

marketed the Twitter IPO as the world’s media observed with Twitter executives and trendy X-Men actor Patrick Stewart, on hand to help promote the offering (McCrank).

Big Board competitor Nasdaq traditionally held the top spot for tech IPOs, but Nasdaq lost ground in recent years largely due to the mishandling of Facebook and NYSE’s victory with Twitter. However, Jay Ritter, a professor and IPO expert at the University of Florida, said the probability was “incredibly good” that had the Twitter IPO gone to Nasdaq, it would have gone smoothly as well, and that in reality, there is not much difference to companies when it comes to listing on one exchange or the other. The listing business is largely about prestige (McCrank).

## **Nasdaq and NYSE: The Basics (according to Diffen.com)**

	<b>Nasdaq</b>	<b>NYSE</b>
<b>Acronym for</b>	Initially stood for National Association of Securities Dealers Automated Quotations. Now considered a proper noun as Nasdaq	New York Stock Exchange
<b>Location</b>	A telecommunications network	Trading floor in New York City
<b>Market type</b>	Dealer’s market	Auction market
<b>Process of trade execution</b>	Broker contacts market maker or uses online form	Broker contacts specialist floor trader or enters it into DOT system
<b>Trading schedule</b>	Weekdays 9:30 a.m. to 4 p.m. ET; a pre-market session 7 a.m. to 9:30 a.m. and post-market session from 4 p.m. to 8 p.m.	Weekdays 9:30 a.m. to 4 p.m. ET
<b>Perception</b>	High-tech market	Well-established
<b>Stock types</b>	More volatile and growth oriented	More stable
<b>Entry fee for stock listing</b>	\$50,000 - \$75,000	Up to \$250,000
<b>Yearly fee</b>	Around \$27,500	Capped at \$500,000
<b>Public or private</b>	Public	Public since 2006
<b>Total market cap of companies listed</b>	\$4.44 trillion as of Jan. 2012	\$14.242 trillion as of Dec. 2011
<b>Year launched</b>	1971	1792
<b>CEO</b>	Bob Greifeld	Duncan L. Niederauer

# Secondary Research

In the last five years, according to NYSE Euronext Executive Vice President Scott Cutler, the NYSE's tech IPO market share went from 5 percent to 52 percent. "We're the most risk-free and have the most credibility," said Cutler, referring to the technical difficulties Nasdaq developed when Facebook, the year's largest IPO, started trading publicly in May (Gage).

Further NYSE success can be attributed to the easing of its listing standards in 2008. Smaller growing companies can now qualify for listing with the Big Board. "They did that because they realized that once a company lists on Nasdaq, they really stay with us," said Bruce Aust, who has headed Nasdaq's listings business for the past decade. (McCrank).

The NYSE will venture into the \$1 trillion-a-year private placement industry with a minority stake in Ace Group Inc. Ace Group runs a private issuance platform for equity, debt and other securities "The culture at the NYSE has changed over the last few years. We're more proactive and focused on technology and growth companies," Doug Chu, head of the NYSE's Silicon Valley office (McCrank).

## ***BATS Global Markets IPO Potential***

If not for a glitch in March 2012, BATS Global Markets would list IPOs today. Unfortunately, BATS failed to list its own IPO and received negative headlines. After the failed attempt, CEO Ratterman issued a statement saying that "in the wake of today's technical issues, which affected the trading of certain stocks, including that of BATS, we believe withdrawing the IPO is the appropriate action to take for our company and our shareholders." Although BATS continues to grow, the failed IPO will haunt BATS if it attempts another public offering.

In a television interview with Erik Schatzker on *Market Makers*, Ratterman was asked, "Why not do listings now?" He said, "We have the relative liquidity provider program on the BATS for ETFs and we are pulling that model out in the ETF issuers are excited about what they are seeing with that model. We are already in that business, and just focused on getting approval, which is not guaranteed. We assume it will be because it is a great deal for customers, and then affecting technology migration. Those are our priorities." He went on to say that BATS hopes to get into common stock after approval in the first half of 2013 and then the six to 12 months following.

## Strengths

### *Pricing Strategy*

BATS uses aggressive, innovative and low-spread pricing strategies. These include pricing specials that might generate short-term losses, but that result in significant growth in long-term market share as customers remain even after pricing specials expire.

### *Technology*

BATS' foundation is built around a leading proprietary technology platform – developed, owned and operated by BATS – that optimizes reliability, speed, scalability and versatility. Furthermore, BATS' scalable technology platform enables the company to rapidly and nimbly grow its market share using economies of scale and employee expertise.

### *Customer Service*

BATS employees who answer the phone effectively answer customers' questions because of their market and technology knowledge.

### *Midwestern and Entrepreneurial Values*

BATS demonstrates that not all large volume stock exchanges need to be based on Wall Street. With headquarters in the heart of the country, BATS is closer to many customers and demonstrates admirable values, including teamwork, trust, integrity and fairness.

### *Responsiveness*

BATS' corporate mentality facilitates a rapid response to market opportunities and adjustments. For example, the 13 founding employees in 2005 created a trading platform and began trading in less than seven months. BATS began trading in Europe just seven months after receiving approval to enter that new market. Most recently, BATS successfully completed the merger with Direct Edge in less than six months and plans to integrate technology platforms in the first year of the combined company.

## Weaknesses

### *Weak Name Recognition*

Few outside the industry know about BATS or understand the BATS story – from its history and business model to the more personal stories about the people who developed the technology and the staff who answer the phones. BATS lacks clearly communicated mission, vision and values statements, which are vital to compete with the legacies of NYSE and Nasdaq.

### *Unsuccessful Attempt at an IPO*

BATS failed on its own IPO in 2012, creating a lasting negative brand perception. The technological glitch that led to the failure has been particularly damaging due to BATS' reputation as a leading markets innovator. BATS will need to overcome this stigma, particularly if it explores another IPO listing.

### *Underdeveloped Marketing Communications*

While BATS diligently works to nurture relationships with representatives of investment banks, a more strategic marketing plan is needed to give equal focus to the other target audiences – non-bank institutional investors and retail investors, as well as entrepreneurs, startups and young private companies looking to sell common stock. Likewise, BATS does not adequately communicate to the general investing public.

### *Operational Risks*

Like any technology-based business, BATS is highly vulnerable to operational risks, including software malfunctions and trading suspensions, as well as illegal security and data breaches. An example is Nasdaq's recent technology glitch, which froze its exchanges for several hours.

# SWOT Analysis

## Opportunities

### *Product and Market Expansion*

BATS' entrepreneurial foundation works in its favor as it focuses on making markets better through diversification. This involves introduction and enhancement of products as well as exploring business opportunities in new asset markets and in new global economies.

### *Mergers and Acquisitions*

Continuing identification of mergers and acquisitions that provide a good, strategic fit for BATS' business model could give the company a competitive advantage. M&A efforts that fill a void in BATS' operations and serve the needs of the investing public could provide the company with a point of difference in the marketplace.

### *Innovative Marketing Efforts*

BATS can leverage its position as a leading stock exchange with a more strategic business-to-business marketing plan designed for better defined audiences that include investment banks, non-bank institutional investors, retail investing companies as well as to entrepreneurs, startups and private companies looking to undertake an IPO. Potential customers will want to know what makes BATS different from other exchanges.

### *Future BATS IPO*

Despite the failed IPO in 2012, taking BATS public at some point would give BATS the resources to pursue the aforementioned strategic opportunities using the funds raised from the listing.

## Threats

### *Technology Failure*

Potential system barriers, failures or suspensions that inhibit trading operations pose a critical threat to BATS, particularly given the company's existing reputation due to recent trading glitches.

### *New and Tightened Regulations*

Ongoing public debate and the potential policy changes with maker-taker practices, high-frequency trading and new leadership in the Fed and SEC could disrupt BATS current business model.

### *Turbulent Mergers and Acquisitions*

BATS is threatened by the chance that the Direct Edge merger will not be successfully integrated in a timely and efficient manner. Now that BATS is one of the major players in the industry, the company is under the microscope from the general investing public and missteps will be amplified through the media.

### *Disruptive Innovation Moves by the Competition*

BATS not only must be aware of products and services currently offered by the competition, but it also must anticipate and watch for companies looking to gain market share with the launch of disruptive innovations. BATS knows what this means to the industry because the company itself was a disruptive innovator at its founding.

## Overview

After the team completed secondary research, attention shifted to primary research. Efforts focused on tailoring this research to the specific needs of BATS – increasing brand awareness among business leaders and the general investing public.

In terms of qualitative research, the team conducted in-depth interviews with industry experts to understand current conditions and to form hypotheses that would lead the quantitative portion of the study. Interviews were conducted in person, over the phone and via email. Questions were asked about perceptions of BATS, perceptions of other stock exchanges, and financial opportunities for small businesses.

For quantitative research, the team used surveys to collect perspectives of the company held by industry experts and the general investing public. The team's goal was to compare its primary research with comments from a BATS marketing/communications staff member collected during earlier conversations, and then identify marketing strategies to meet organizational objectives as well as the needs of existing clients and potential customers. Paper and online surveys were used to collect quantitative research from a sample of the general investing public as well as a sample from entrepreneurs, startups and service providers to these small business ventures.

### ***Primary Research: One-on-One Interview Highlights***

**Jim Bittman, Chicago Board Options Exchange  
director of program development**

#### **Perception of BATS?**

The question is, does that matter? Who is the exchange's customer? The exchange's customer is the brokerage firm.

#### **BATS potential to list IPOs?**

If you're going to advertise that you're in the IPO business, you have to say you have market makers with enough capital and experience to handle IPOs. Stress its (BATS') profile by stressing the things it is good at. In this business, that's increasing market share with proprietary products and good technology.

In my experience in today's modern world there's only two things: A and B. A: is there is adequate technology? And B: is it the lowest cost?

**Thadd Hale, CEO/co-owner, eDepoze  
Worked in Silicon Valley for litigation services**

#### **What is eDepoze's goal?**

I think the goal for most startups is to sell the company at some point. When you look around, you see many successful people selling their businesses. Very few companies end up going public.

#### **What are your recommendations for BATS to gain listings if it decides to list IPOs?**

BATS needs to connect with the venture capitalists and private equity groups.

Regarding Silicon Valley, it is hard to do business there when you don't have bricks and mortar in the area. You definitely need to have a presence. Maybe you can get past that if you're one of the best in the world at what you do. Getting in, getting their Rolodex, and meeting with different VC groups and private equity groups that are there would be beneficial.

# Primary Research

## **Nate Olson, program specialist in entrepreneurship at Kauffman Foundation and coordinator of 1 Million Cups**

When asked about financial needs of entrepreneurs/startups, Olson said that all early-stage business owners need customers first and foremost. It is only after the customers start coming in that the startups need financing to develop an infrastructure to support the customer demand. As companies grow quickly because they've hit the market just right and customers are increasing, they often fall into trouble when they don't have the finances or infrastructure in place for the scale needed for demand. That's why it is important for entrepreneurs to make sure they have the infrastructure plan in place to respond to increases in demand as that occurs.

How did Olson think BATS could help in preparing entrepreneurs to prepare the infrastructure? He mentioned crowdfunding, but said entrepreneurs were in a holding pattern with it right now. He said there currently exists about 500 crowdfunding platforms that are providing early-stage traction or pre-sales to entrepreneurs who want to or need to demonstrate to others that the company is serious about the product or that there is consumer interest in the product.

Then there is the whole area of convertible debt. Olson said the SEC is trying to provide some guidance for non-accredited investors looking to invest in startup companies that show high potential/high risk. He said crowdfunding is good for entrepreneurs because if it can demonstrate early-stage traction with pre-orders, then the company might not need to immediately give up equity to raise capital.

## **Rachael Qualls, CEO, Venture360, Kansas City, Mo.**

According to Qualls, the most important thing exchanges can do for entrepreneurs/startups is to provide an auction for liquidity. "It takes years and years for large investment banks to get out of the deals when a company goes private," she said, noting that if better opportunities for liquidity exist, then there would be more opportunities in the secondary market.

"Entrepreneurs and startups also are handcuffed by current restrictive legislation and regulations," Qualls said.

## **Marilyn Rausch, visual design instructor at the University of Kansas, Branding and graphic design consultant**

A website design review was conducted with Rausch, who also provided her insight into BATS branding, logo and overall design elements. She mentioned that BATS "is not doing anything wrong" with its current materials. It clearly has worked well enough for BATS to become an influential financial markets company. However, she quickly commented that she did not "see a story" being told by the brand to its audience.

Among the points Rausch made while reviewing the logo was her immediate association of the logo with baseball, although she was not aware of BATS sponsorship and promotional initiatives with the Royals. She mentioned the name, the diamond shape it has over the "A" and the green color as suggesting a company involved in baseball. She observed that the logo "in no way relates" to BATS' financial operations. She saw the current website as a "missed opportunity" to communicate.

A few of Rausch's other points included:

- Most of the website text is the same weight. Changing the font style and size will improve the overall design. Use different weights to highlight “what is really important.”
- BATS is missing a huge opportunity to connect the company's heartland roots with its global reach. Visuals of Kansas City, London and New York worked into the same design would show that “markets happen everywhere,” which is a more descriptive statement than “Making markets better.” BATS has a nice example of this on the cover of its 2012 S-1 filing.
- Rausch confirmed our recommendation about including staff personality profiles with their photos and stories or facts about themselves. She showed us the website design of Two West Advisors (<http://twowestadvisors.com>) an example. Implementing friendly staff profiles would give BATS a public face and a personal approach the brand could use to its benefit.
- A refreshed logo could blend the BATS green with the Direct Edge blue to establish a compelling new look. She recommended sleeker designs that suggested positive movement, fluidity and optimism. She recommended the book *Designing Brand Identity* and showed examples of logos in the book that BATS could use as inspiration for its own new design.
- Above all, BATS needs to have a website and branding elements that communicate its story to its customers in a visually engaging way.
- She would be open to serving as a branding and design consultant for BATS.

**Tom Taulli, blogger and financial adviser to startups as well as *Forbes* contributor**

## **Do you expect NYSE to follow Nasdaq by building a pre-IPO platform?**

Lots of competition exists between the two stock exchanges (NYSE and Nasdaq). If one does it, the other follows, kind of like Pepsi and Coca-Cola. So, I would not be surprised if NYSE does something like this, especially since NYSE has been heavily focused in a bigger share of tech IPOs. NYSE can offer services along those lines. It probably would help NYSE snag listings. And the business model may make some money, but it could be more of a loss leader. Because at the end of the day, they just want to get more listings.

## **Are there certain types of companies or sectors that the NYSE and Nasdaq struggle to provide a valued service when it comes to IPOs?**

I had one where the company was a software provider and the NYSE was a large client. They almost had to go with the NYSE. I think having feet on the street, having offices in Silicon Valley and all that kind of stuff is important. At the end of the day, it comes down to finances and relationships. There isn't a lot of difference between the two.

## **Perceptions of BATS?**

They are really focused on cutting edge technology and I think a lot of people think that all they have there are engineers. That would probably be attractive to a lot of tech companies because their culture is very similar. And if BATS becomes a listing platform, because now they are a trading platform, having low costs and efficiencies and liquidity are always important.

## **Silicon Valley/Tech Companies - IPO and BATS?**

With the culture and the DNA (of BATS), I'll bet they will get some traction in the Valley. That's another thing. You have to set up an office in the Valley.

It's kind of ironic, because the Valley is all virtual. But, the secret to having success in the Valley is these really old-style relationships that evolve over time. So it kind of goes against what you would think would be the case.

## **Do you believe BATS could benefit from getting into a niche market? What niche market would you look at first for BATS?**

I would look at what SecondMarket has done and go after that. I think they are probably a sitting duck. And BATS probably has better efficiencies and technology. They can leverage their system and cross-use other areas. I think that SecondMarket's done a lot with that.

## **BATS listing IPOs?**

The challenge for them (BATS) is that they tried their own IPO and it failed. And that is a tough one to get over. And so they will have to prove themselves. And it shows the listing business is tough. It really is. And Nasdaq and NYSE have been doing it for decades. Jumping into that is tough. I completely understand how it is not easy to do that. And it may be that they find a niche in the market. Or they move into the pre-IPO area, where it is not an IPO and that gets them a bit of a foothold and credibility with these CEOs and senior managers so that over time they might consider BATS to pull off an IPO.

## **Ryan Weber, president of KCnext – The Technology Council of Kansas City**

“Big investment banks and institutional investors aren't eager to take the risk with small companies because the small companies don't have much of a profitability record. Crowdfunding, however, gives smaller investors (the non-accredited investor who has under \$1 million in net worth or made under \$200,000 annually in the past two years) an opportunity to invest in startup companies.”

Weber noted that strictly raising capital doesn't solve all the problems entrepreneurs face; building relationship for current and future business dealings is important, too. Crowdfunding and working with angel investors/venture capitalists is a source of viable business relationships.

## **Anonymous comments about BATS Global Markets**

- “One opportunity for equities exchanges wanting to connect with the general investing public is to concentrate on building relationships. To reach the general investing public, exchanges should focus on relationships with service providers who can facilitate indirect connections with high net-worth investors. If BATS wants to get the word out more, the company needs to tap into service providers of investment banks. These companies already have relationships with the general investing public.”
- “BATS shouldn't wait to court a company that might be wanting to go public. BATS needs to start far earlier in the company's business life cycle. You can't be too early when it comes to building relationship. Goldman Sachs didn't become a leading investment bank overnight. It continues to hold that position because it built the business up with relationships the company's business segments

have with service providers in the early stages of a startup.”

- “Three phrases that describe BATS: high-level execution; very innovative; successful outliers. This is a company deeply rooted in Midwest values from the CEO down to the last employee and it is evident in the company culture.”
- “Exchange funds (if BATS doesn’t already work in this area) would be a good way for the company to connect to retail investors. If it does, then BATS should concentrate on that business segment more.”
- “Crowdfunding could be a good niche market fit for BATS Global Markets. BATS is an exchange that already has a process in place that matches investors with investment opportunities. Why not look at offering entrepreneurs, startups and private companies a way to connect with investors other than the large investment banks and institutional investors? Based on its past history for public equity, BATS could become one of the premier trading exchanges for private equity.”
- “While the NYSE stock exchange in recent months has indicated its plans to become more involved in the exchange of shares by private companies, it is still not too late for BATS to make a move in this area. Sometimes it is good not to be the first one to the market. Learning from someone’s mistakes could prove beneficial. BATS is more lean than the other exchanges so that could help in structuring an exchange for trading shares of private companies.”
- “BATS Global Markets is viewed as a highly automated exchange. Words that describe BATS include efficient, tech savvy, customer friendly and responsive. BATS is a very ‘modern’ company.”
- “When there is criticism of BATS, it is because people think what BATS is doing is leading to a more complex market and that BATS isn’t thinking about what the public needs. That is an unfortunate misconception.”

- “When it comes to financial information, BATS has a large volume of market data available and the company makes that information much more accessible than other exchanges. The information on the company’s website is easily digestible and one can access it whenever needed. I think this service stems from the company understanding that it operates in a complicated industry and BATS wants to show transparency.”
- “Most members of the general public look at BATS as a complicated, computer entity and they don’t have any desire to learn more about the company. BATS doesn’t have the top-of-mind name recognition as NYSE or Nasdaq, but that will come in time as BATS strives to offers products and services that meet needs of the general investing public.”

## Surveys

### 1 Million Cups Survey - Summary

Surveys were distributed March 12, 2014, at the Ewing Marion Kauffman Foundation, during a weekly 1 Million Cups meeting. Approximately 150 people attended and 50 completed the survey, resulting in a 33 percent response rate.

### Synopsis

BATS can do more to improve its brand awareness in Kansas City. The respondents, although a small sample size, is relevant to BATS since group members are highly educated and are made up of business owners and aspiring business owners that are involved in a Kansas City business education/networking program. Few will likely go public with their businesses, but the survey shows BATS can further develop its brand awareness.

### More information:

- Of the respondents, 52 percent were over the age

# Primary Research

of 45, and 34 percent fell under the age of 34. Sixty-four percent of respondents were male. All of the respondents reside in Kansas City or in neighboring cities and towns. The respondents were highly educated, with all possessing at least some college experience. Furthermore, 84 percent have earned a bachelor's degree or higher.

- The majority of respondents are business owners and potential business leaders. Local online news is appealing to this group with 63 percent reading the *Kansas City Business Journal* and 54 percent reading *Silicon Prairie News*. For print sources, the *Kansas City Business Journal* ranked highest at 64 percent with the *Wall Street Journal* trailing at 52 percent. *Shark Tank* is a popular television show, as 84 percent of survey respondents watch the ABC program.
- Crowdfunding is of interest to respondents, with 69 percent either using or being interested in the technique. With the exception of one respondent, these business people do not have a desire to go public. Few Kansas City 1 Million Cups attendees are familiar with BATS compared to the NYSE and Nasdaq. Of the 50 respondents, 15 percent said they are “very familiar” with BATS compared to NYSE and Nasdaq, both receiving “very familiar” scores higher than 75 percent. When asked to list a word or brief description of BATS, nine respondents provided relevant answers, whereas 21 did for Nasdaq and 25 for NYSE.

## **General Investing Public Survey - Summary**

On March 17, 2014, our group distributed surveys via social media to members of the general investing public. By March 27, 2014, 216 survey responses were received and analyzed.

## **Synopsis**

BATS' brand awareness is lacking with the general investing public. The audience in this survey is relevant to BATS, as the respondents are highly

educated and nearly 75 percent live in the same state as BATS' headquarters. Few respondents understand BATS' purpose, while the majority reported being “very familiar” with NYSE and Nasdaq. Logo feedback revealed an expectation that BATS is a baseball-related product or service. The capitalization of all letters in the logo brought the expectation of an acronym. Respondents associated the “Making Markets Better” text on the logo with a marketing service. Most respondents did not recall seeing the logo before the survey. Of those with recollection of the logo, headquarters signage and Royals games scored highly as places where the logo was seen. The survey also showed:

- Relying on financial professionals for advice and participating in employer-sponsored investment options are most common. Self-directed research and investing through online account services also are common.
- Nearly one-quarter of respondents have experience or are interested in investing in crowdfunding.
- Fewer than 10 percent have invested in a company's IPO.

## **More Detailed Information**

- Respondents varied in age with 25-34 years old leading at 33 percent, while 55 and older made up 28 percent. Nearly 70 percent of the respondents were women. Of the 216 respondents, 72 percent reside in the same state as BATS headquarters and 25 percent live in the Kansas City metro area. The respondents were highly educated, with 95 percent of those surveyed having at least some college experience. Furthermore, 78 percent had a bachelor's degree or higher and 36 percent had a master's degree or doctorate.
- Respondents were provided with a visual of the BATS logo without the text, “Making Markets Better” and were asked to make an assumption of the product or service. Few were able to provide an appropriate guess. Baseball was the most common guess at 46 percent and sports in general made up an additional 11 percent of the answers. Another 11 percent were loosely able to identify

BATS' true purpose. A few respondents assumed BATS was an acronym.

- The next question asked respondents to guess the product or service of BATS with the logo, including the text, "Making Markets Better." A marketing service was the most common guess, at 27 percent. Fourteen percent guessed some type of financial service not related to BATS and another 14 percent provided at least some information that described BATS accurately. Again, some respondents expected BATS to be an acronym.
- The majority (87 percent) of respondents did not recall seeing the logo before the survey. Of those that did recall seeing the logo (13 percent of respondents), 52 percent recalled seeing the BATS headquarters sign and 33 percent associated the logo with Royals games.
- Few respondents were familiar with BATS compared to the Nasdaq and NYSE. Only 2 percent of respondents reported that they were "very familiar" with BATS while the NYSE

received a 73-percent score and Nasdaq received a 69-percent "very familiar" score.

- Of the 216 respondents, the financial decisions of 62 percent are influenced by recommendations from financial professionals, 40 percent use self-directed research and 32 percent use friends and family.
- Relying on financial professionals and employer-sponsored investment options for investing made up 83 percent of respondents while 27 percent of respondents invest through self-directed investing via online account services. (Respondents could mark more than one answer on this question.)
- In conjunction with other questions, it appears respondents rely on professional help with trading that occurs around once a year or less. The top choice for trading frequency was trading less than once or twice a year at 31.7 percent. Less than 10 percent have invested in a company's IPO. Although nearly 70 percent were unfamiliar with crowdfunding and 23 percent have some interest or experience with crowdfunding.

# Recommendations

## Overview

Our research revealed two overarching themes that BATS should incorporate to assert an effective personality within its brand.

First, BATS should embrace Kansas City as a point of difference. The New York City angle works for the old guard Nasdaq and even older guard NYSE, but BATS is the shrewd fast-moving maverick. BATS can be (and is) on Wall Street, but chooses to live on Main Street. BATS can promote its brand attributes as a nonconformist global leader with startup roots in Kansas City.

Just as the competition is associated with New York City, BATS has a similar opportunity to go above and beyond its competitors' approach. This strategy focuses on strengthening BATS ties to Kansas City with branded marketing communications tactics while also driving its increasingly global significance. By integrating Kansas City into the brand message, BATS is essentially gaining 2.3 million Kansas City advocates to proudly endorse their hometown global leader. Once BATS gains brand awareness in Kansas City, the brand should expand into other strategic locations, but always maintain its hometown within branding elements. At present BATS has low general brand awareness.

A second recurring theme is the association of BATS' company name with baseball. Nearly 60 percent of our survey respondents believed the logo had something to do with baseball or sports. BATS has a choice: dodge the baseball association to avoid confusion or embrace the connection. BATS' partnership with the Royals is proving somewhat successful. While only a small number of survey respondents recognized the logo, a sizable number of that group recalled seeing the logo at games or behind home plate on their television screens. Major League Baseball fan demographics coincide with a relevant target audience for BATS. For example, PlaceIQ in early 2014 named the

top team for specific fan demographics. The wealthiest fans support the San Francisco Giants' fans, whereas college students show the most support for the Boston Red Sox, millennial fans show the most support for the Chicago Cubs and Hispanic fans show the most support for the Miami Marlins. Additionally, numerous tie-ins for future promotions align with America's game. Our recommendations use the baseball association to promote BATS awareness.

Once BATS capitalizes on these two themes at the local level, the campaign should eventually move to strategic locations outside of the Midwest and ultimately nationally. Coincidentally, it is not uncommon for campaigns to start in the Midwest as a test market before going nationally. BATS' marketing and communications departments should make adjustments to the awareness campaign while transitioning to subsequent locations. Our team's recommendation is that when BATS expands the brand awareness campaign beyond Kansas City, the company should consider San Francisco, Boston and Chicago. The end result will position BATS favorably in the eyes of the general investing public to be successful when and if BATS decides to list IPOs or go public.

### Marketing Communications Goal

The goal of this plan is to increase BATS Global Markets brand awareness among business leaders and the general investing public with three distinct phases.

### Marketing Communications Phases

1. Define. Refine. Refresh.
2. Communicate. Share. Promote.
3. Engage. Inspire. Educate.

### Phase 1: Define. Refine. Refresh.

BATS has not risen to second (and sometimes first) in U.S. market trading volume without having strong corporate business practices, innovative technology, strong leadership and other essential qualities of highly successful companies. Phase 1 ensures BATS "knows itself" as a fully integrated brand. This process includes rigorous self-evaluation, honest appraisals and the will to see your brand through the eyes of your

consumers. This process helps you identify where opportunities exist to create a stronger brand and tell your own story.

## **Strategy 1: Corporate identity**

Before BATS can effectively communicate with stakeholders, it needs to better define its corporate identity. This means redefining key branding elements. While consultants we interviewed confirmed that BATS “is not doing anything wrong” with its current branding, “missed opportunities” exist that would strengthen the brand if ceased.

### **Tactic 1: Company Name Consistency**

Survey research confirmed confusion about the company name exists among respondents. Retaining the capped letters creates an expectation of an acronym, which is evidenced by inconsistency of use in the media. Various media outlets use “BATS,” “BATs,” “B.A.T.S.” and “Bats,” and display further inconsistency in the use of “Global Markets” or “Exchange.” Furthermore, some sources still refer to Better Alternative Trading System.

**Recommendation:** To gain consistency with the brand, BATS should avoid the acronym and use Bats as a proper noun, referring to itself as “Bats Global Markets.” Other companies that started with an acronym for a name have since changed it to a proper noun. According to The Associated Press, Nasdaq was once the NASDAQ acronym but the company has since changed to using Nasdaq as a proper noun. Bats should send notification of style guide preferences to media sources that continue to use the name incorrectly. BATS should also be forthcoming on its website about how the company’s name started with an acronym but is now a proper noun.

**Measurement:** Monitor usage in the media.

### **Tactic 2: Refresh and Update Logo**

Primary research revealed that the BATS logo does not reflect its position as an innovative global trading platform. The “Making Markets Better” tagline did little to improve the audience’s understanding of the company or communicate the brand purpose. One graphic design professional said, “The logo is not a modern

design.” Yet, BATS is considered a modern company by its industry peers. Many survey respondents associated the logo with baseball and sporting equipment, particularly because of the company name, the diamond feature over the “A” in the logo, the green color and the brand’s association with the Royals.

**Recommendation:** Consider refreshing the BATS logo with the assistance of a graphic design professional.

**Measurements:** Benchmark survey data and periodically distribute new surveys to determine whether a redesigned logo increases awareness of the company’s purpose and values. Test new logos before release with key audiences.

### **Tactic 3: Values (innovative, technology, Kansas City roots, etc.)**

A company’s core philosophies should be reflected in its brand. Possible examples for BATS include innovation, entrepreneurial spirit, advanced technology, commitment to customer service, startup origins and Kansas City roots with a global presence. Some of these values were noted by respondents in our 1 Million Cups survey. When asked to describe the exchange, responses included “innovation,” “global commerce” and “KC-based exchange.”

**Recommendation:** Define corporate values by establishing a brand book and ensure those values are displayed in every brand contact point. Alina Wheeler’s book, *Designing Brand Identity*, is highly recommended for additional guidance.

**Measurements:** Values are difficult to measure, but should be evident in customer service scores. Social media analytics can provide an industry pulse of corporate perception.

### **Tactic 4: Consider Working with a Local Brand Consultant**

A brand consultant can help BATS create a brand book/style guide for color usage, logo, naming, tagline and other branding elements. Kansas City is home to world-class marketing communications

# Recommendations

agencies, many of which could provide this service.

**Recommendation:** The annual *Kansas City Business Journal Book of Lists* and the *Ingram's Book of Leads and Lists* provide relevant agency information. We suggest interviewing multiple agencies until an organization is found that matches BATS' personality.

**Measurements:** Benchmarking and subsequent surveys measuring awareness can show improvements in branding elements.

## Phase 2: Communicate. Share. Promote.

Our analysis of BATS' current brand messages, along with primary research, suggests that the company has significant opportunities to build stronger relationships with the general investing public. BATS has a compelling story to tell. The company is made up of more than just wires and computers. Marketing practitioners connect a brand to targeted audiences using four media types: owned, shared, earned and paid. Research shows that companies are most successful when they integrate these media types with socially powered, technology-enhanced content that tells a brand story.

### Strategy 1: Website Refresh (Owned Media)

BATS' business model revolves around the Internet and the effectiveness of its Web-based products and services. BATS maintains a variety of websites, although we have focused primarily on two sites for this strategy. [Batstrading.com](http://Batstrading.com) is directed toward its current and potential trading members. This website serves the needs of its primary users well, although the technical nature of the content can be overwhelming for the general investing public. [Batsglobalmarkets.com](http://Batsglobalmarkets.com) (and [bats.com](http://bats.com)) is directed toward the general investing public. Our research shows that BATS should explore a website redesign to dynamically engage this audience with stronger content to help it tell a complicated story with simple, easy-to-understand brand messaging. A graphic design consultant we interviewed said that, while there is not anything "wrong" with [bats.com](http://bats.com), the current content represents a "missed opportunity" to engage visitors.

### Tactic 1: Redesign Landing Page

Because [www.batstrading.com](http://www.batstrading.com) currently meets the needs of its intended users, this tactic primarily addresses [www.batsglobalmarkets.com/www.bats.com](http://www.batsglobalmarkets.com/www.bats.com). Our research included a design audit of [www.batsglobalmarkets.com/www.bats.com](http://www.batsglobalmarkets.com/www.bats.com) (included in the Appendix of this analysis), along with website comparisons between the company's main exchange competitors, NYSE and Nasdaq. Both competitors devote more screen space to engaging visuals and content that appeals to the general investing public. NYSE in particular makes strong use of New York City-inspired images, photos of people within the industry and simple brand messaging. Another visually engaging industry-related website is maintained by TD Ameritrade. However, [batsglobalmarkets.com](http://batsglobalmarkets.com) does not currently include compelling visuals.

**Recommendation:** All general investing public-directed marketing material should use the [bats.com](http://bats.com) URL, and [batsglobalmarkets.com](http://batsglobalmarkets.com) should redirect to this URL. It should be clear and obvious that one site is for traders and one is for the general public, because the general public can easily wind up on [batstrading.com](http://batstrading.com) through Google search results. If that happens, visitors get quickly overwhelmed and leave. Consider making each site visually distinct, with obvious links between both pages and streamlined page titles/headers. It is also critical that BATS' websites should convey the core brand principles of an innovative, technologically advanced global exchange platform. A website design consultant could help BATS visually tell the story of its Kansas City startup roots, innovative brilliance, core purpose and strategic excellence. BATS can embrace and promote its brand by featuring Kansas City-inspired imagery, clean and efficient design, and other content on its website that communicates the company's identity and engages its visitors.

**Measurements:** Website analytic data can be used to track usage, page views, user interface, visit duration, referring sites, interaction with social media and many other key metrics. Use current analytics as benchmarks to measure future website improvements.

## **Tactic 2: Search Engine Optimization (SEO)**

Websites highly ranked in search engine results keep company names top-of-mind among the general investing public and business leaders. BATS' marketers should enhance SEO because implementing best practices in this social channel means consumers can find the right content easily. SEO involves planning, building and reviewing website content.

**Recommendation:** It is evident that direct searches for BATS-specific content result in high search rankings. However, when more general exchange-related terms are used, such as "stock exchange" and "electronic trading," BATS is not well represented. When BATS does pop up in rankings, searchers are referred to the trading site (batstrading.com) instead of the general investing site (bats.com). Some SEO best practices are included in the Appendix of this analysis. A website design consultant can also help BATS improve its SEO rankings.

**Measurements:** BATS can establish benchmarks for its search engine rankings and website referral traffic, and then monitor those numbers to analyze SEO improvement.

## **Tactic 3: Staff Profiles on Website**

Content is king in today's increasingly competitive marketing arena, and the content war can be won by harnessing the power of storytelling. In fact, thanks to digital marketing, storytelling is more powerful and more viral today than ever. Stories paint visual pictures in our minds and create lasting impressions. BATS can use these profiles to promote its internal talent, while presenting the personalities behind the brand.

**Recommendation:** Telling the BATS story with staff personality profiles will help build corporate trust, increase brand awareness and show the human side of the company. Consider stories on the technology expert who maintains the market programming for BATS, the most unique bell ringers to open or close the BATS markets or even the employee who works at BATS by day and volunteers in community service at night. Personality profiles like this will bring the BATS brand to life. These profiles and stories could be

researched and written by marketing interns. Profiles could appear on the website and could be shared via social media accounts and blog posts. An example can be found at <http://www.twowestadvisors.com/our-team/>.

**Measurements:** Monitor media for published features on BATS' employees. Social and website analytics programs provide insights on engagement of staff profiles on the company website and social media posts.

## **Strategy 2: Social Media (Shared Media)**

Multi-faceted social media approaches produce greater appeal to the consumer. Companies use social media to help people discover brands, products and promotions in engaging ways. Finally, social media builds stronger engagement and relationships with existing customers and potential clients. This is especially true when companies engage directly with customers to review products and services, ask questions and respond to complaints, praises and other messages directed at the brands.

## **Tactic 1: Social Media Staffing**

Some organizations revise existing job descriptions to incorporate elements of social marketing into current responsibilities. Still the most successful companies when it comes to social media embrace innovative marketing trends with full-time employees charged with social media responsibilities. Because social media can indirectly generate referrals and leads in a variety of ways, think of any social media staff member as an extension of the company's sales and customer service teams. A social media specialist is responsible for defining and implementing the corporate digital strategy as well as developing and nurturing online brand communities.

**Recommendation:** BATS should create a social media marketing plan and, at minimum, hire a full-time social media strategist to embrace social media activities to build brand awareness within the general investing public (something that has taken a backseat to BATS' focus on communicating with traders

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and market makers). This position can fall under the marketing and communications umbrella. Long-term additional support staff for social media marketing, including interns, can be added to improve effectiveness and implementation. Social media efforts should help communicate the BATS story by highlighting numerous activities, including community works, Royals sponsorships, guest lectures, etc. Followers want to see and engage with the brand's personality. Strict compliance training needs to be implemented for the social media strategist. The creation of a BATS social media guidelines document would help maintain social compliance.

**Measurements:** Increases in both the social media volume and level of engagement between the general investing public and BATS can help measure success for this tactic. Social media staff members should be able to produce analytic data that shows the company's social media improvement and, in turn, justify their salaries.

## **Tactic 2: Expand Social Media Channels and Promote with Website Integration**

Opportunities through social media marketing are virtually endless. Attempting to be on too many social channels could affect productivity. It seems BATS is aware of this with its recent removal of its Facebook page. However, not being on enough social channels could stifle brand awareness and consumer engagement. Social media marketing involves more than just having a Facebook and Twitter presence. The best place to start with social media marketing is to study the social habits of the target audience to determine how this audience connects and interacts via the various social media channels. Next, develop a specific social marketing plan. Being active in the channels requires time and focus, and is something that should not distract BATS' current staff from core business operations.

**Recommendation:** Besides promoting its Twitter and LinkedIn accounts on its websites, BATS should

expand social reach by being more active on other channels. These include YouTube (to capture and share memorable experiences at BATS events), Instagram (to immediately tell the BATS story through pictures, especially those captured on smartphones) and Pinterest (in a creative bulletin-board type format for millions to see). BATS should reconsider a social presence on Facebook. While usage among the younger audience (13 to 17 years old) on Facebook dropped 25 percent in the past year, a Facebook report said the more mature audience (55 and older) (with money to invest) increased 80 percent in the same timeframe ([http://frog-dog.com/articles/detail/is\\_facebook\\_on\\_the\\_exit/](http://frog-dog.com/articles/detail/is_facebook_on_the_exit/)). A minimal investment in a Facebook campaign targeting the older audience would establish a "fan" base that would then connect BATS with "friends" of the fans.

**Measurements:** Social marketing succeeds when the number of likes, tweets and posts increases over time, as well as the level of engagement (i.e., shares, comments, etc.). Each social media channel provides its own analytic tools to aid in tactic measurement. Monitor these analytics often to see established trends as well as to analyze the effectiveness of promotions specifically designed to increase consumer engagement with BATS social media assets. Adjust the social media marketing plan accordingly.

## **Tactic 3: Infographics**

The rise of social media has given new meaning to big data. According to one marketing blogger, each day people on the Internet create 1.5 billion pieces of content, 140 million tweets and 2 million videos ([www.healthcarecommunication.com/Main/Articles/8485.aspx](http://www.healthcarecommunication.com/Main/Articles/8485.aspx)). Infographics help consumers easily digest complex content visually. Infographics can deliver the corporate message and positively position the brand among all the clutter. Infographics are also a perfect visual storytelling tool. Create visually appealing content and deliver it multiple times via social media to make a lasting impression. Typically, one infographic features numerous graphic snippets of useful information, which can be posted collectively on Pinterest and the company website. Or, the

same information and design can be broken into smaller pieces and also posted as individual items on Facebook, Twitter and even Instagram. To be most effective, companies need to select infographic topics that appeal to the intended audience. The data must be informational and entertaining, and many of the best examples include only subtle references to the brand. Research shows using photos and graphics generates the highest level of social media engagement. Plus, the viral nature of infographics prompt people to link back to the company's website when the infographic is referenced in other places on the Web. This linking activity boosts search engine optimization for the company offering the infographic. Consulting companies that specialize in infographics are active in the Kansas City area.

**Recommendation:** BATS can use infographics as a complement to its storytelling marketing efforts across multiple social media channels, on the company website and in promotional materials including posters at the company headquarters. Infographic topics could include fun facts about baseball statistics (capitalizing on the recommendation to tie the corporate name to the sport), relationships between baseball and investing (linking America's favorite pastime with one of America's most admired business opportunities) and the making of a Wall Street contender from humble beginnings on Main Street (telling the BATS story graphically). For turnkey implementation, BATS should work with a local infographic consultant. The consultant will listen to the company's ideas and then create an infographic based on data supplied by BATS or collected from the Internet. David McBee (<http://davidmcbec.com/interest/infographics>) is recommended as a local consultant. Eventually, the task of creating infographics could be handled in-house as the marketing department expands expertise. Four infographics per year would be a good starting place for improving visual branding.

**Measurements:** Analytic data through links within infographics, along with download and share statistics, can help measure success with infographics.

### Strategy 3: Media Relations (Earned Media)

BATS already enjoys a reputation for effective media

relations. This is a particularly important strategy for BATS, considering that it operates in such a volatile, highly regulated (and some say, controversial) industry. A strong media relations strategy makes sense for BATS, given the highs and lows experienced by the company and the realistic potential for negative news. However, BATS also has many positive stories to tell through the media, which can help build brand awareness.

#### Tactic 1: Press and Video Releases

While the value of the traditional press release as a tool for informing the media has diminished due to the amount of corporate information now available for reporters online, research shows that press releases are still alive and well in new forms. Changes in press release content and online distribution enables companies to push their news to media members and the public in an attention-getting and timely manner. This not only educates many audiences because the information is often syndicated by multiple news organizations, content in online news releases boosts search engine optimization for the company by using keywords tied to the company's webpage. PR Newswire suggests several things to improve online press release performance – increase engagement by embedding multimedia elements in copy; use release content as a source for corporate blog posts; use links in releases to drive readers to longer, more detailed content; and make sure the general investing public and business leaders (not just media members) are targeted audiences for press releases. Video news releases (VNRs), when done well, continue to attract the attention of television news editors and reporters. Plus, VNRs have a social outlet for distribution via corporate YouTube playlists. VNRs provide understaffed television newsrooms with b-roll content to enhance corporate or industry news stories. One thing to keep in mind is that VNRs cannot be “commercials in disguise.” This harms corporate reputation and credibility.

**Recommendation:** BATS should continue distributing press releases communicating timely messages

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from the company, news related to the Direct Edge merger and industry information. BATS can enhance efforts by adding new engaging elements to the release content and using more news distribution services to ensure broader reach. Put yourself in the reporter's shoes. What facts will help the story stand out from another newspaper or broadcast outlet reporting the same news. Any additional information that helps a reporter is much appreciated and builds strong media relationships. Plan to produce VNRs as a way to make complicated financial trading information simpler for the general investing public. Strive to produce one VNR in the first year and build upon that experience to add more VNRs in subsequent years.

**Measurements:** Monitor media coverage of BATS in conjunction with distribution of press releases and VNRs. Use the free Google Alerts service to monitor online mentions of the company or subscribe to a media monitoring/clipping service for more complete services.

## **Tactic 2: Social Media to Reach the Media**

While sending press releases electronically has been the norm in recent years, the most effective method for reaching media members continues to evolve. More often, reporters are turning to social media channels for corporate information. Twitter and Facebook posts containing attention-getting, concise "teases" regarding company messages (with links to more detailed information) provide immediate access and timely communication for the media. With today's 24-hour news cycle, social media plays an important role in media relations. Additional audiences see the news because the general investing public and business leaders also use social media.

**Recommendation:** Encourage media members included on the extensive BATS media list to follow the company on its social media accounts. Likewise, members of the BATS communications and marketing teams should follow these media contacts, if they're not already doing so. This will keep BATS' staff

members informed about what type of stories the sources produce so that future pitches by BATS can be customized to individual reporter preferences.

**Measurements:** Among media members who follow BATS on social media, track mentions in the press and calls from those reporters seeking expert opinions from BATS.

## **Strategy 4: Advertising/Sponsorships (Paid Media)**

Just as media relations is changing, so too is advertising. People no longer need to sit in the living room to watch television, and hawking newspapers on a street corner is almost nonexistent. These trends affect corporate advertising strategies. Advertising opportunities still exist using traditional media such as newspapers, magazine, billboards and television. However, the message and concept need to be more innovative than ever to capture the attention of readers and viewers, who are now in greater control of how, when and if they receive ads. Digital advertising is where the action is today. Companies are not abandoning traditional advertising media altogether, but they are shifting dollars from traditional to digital. The move comes at a time when companies scramble to be competitive, seek target marketing opportunities and look for easier methods to justify ad spending using analytics.

## **Tactic 1: Traditional Advertising**

Companies choosing to keep traditional advertising in their marketing mix are doing so only when the message combines innovative content and design with social media integration. Content innovation and design sometimes includes humorous themes or celebrity endorsements to generate a memorable message. Integration with social channels includes a call to action that encourages the target audience to follow the company on Twitter, like it on Facebook or visit the corporate website.

**Recommendation:** In the absence of having an agency of record, BATS should work with a local advertising agency on a retainer to initially create a traditional advertising campaign designed to build brand awareness. In keeping with the baseball theme suggested earlier in this analysis, BATS should consider securing

a local sports celebrity, such as Frank White, George Brett or a younger current player, to use in its advertising messages, not only in traditional formats but integrated with digital advertising messages as well.

**Measurements:** Track public perception brand surveys at least once per year to identify trends for this tactic. Surveys could also prove awareness for advertising campaigns. The use of coded landing Web pages within the message can also indicate effectiveness of print campaigns.

## **Tactic 2: Digital advertising**

Embedding advertising into social content provides precise targeting of key messages, which is something often missed with traditional advertising placements. Marketers use online advertising for targeting specific audiences. For example, Facebook ads can reach audiences in a particular city, of a particular age and with specific interests (i.e., 20-24 year olds in Boston who like baseball). Likewise, LinkedIn ads can target employees within a specific industry, holding specific job titles and living in a certain region of the country. For example, key demographics that define the general investing public could be targeted. Additionally, online ads, unlike traditional advertising, provide a flexible placement schedule, are easily adaptable, controlled by the ad budget spend of the company placing the ad and can be easily tracked through analytics to determine effectiveness.

**Recommendation:** BATS should use online ads to improve its targeted marketing messages for desired audiences. For example, BATS can direct online ad messages toward the general investing public with demographics that include the 35-64 age range, management or executive job titles and salaries of at least \$75,000 or more per year. BATS could also precisely target the general investing public in the Kansas City area with promotions designed to create brand awareness locally.

**Measurements:** Once online ads are placed, BATS can monitor effectiveness of the message through analytics. Reported data includes the number of clicks on the ad, click through rates, bid per click and number of people reached with each ad impression. Furthermore,

BATS can attach special tracking codes to the hot links for each online ad to determine the viewing behavior throughout the BATS website once the visitor is connected to the company information.

## **Tactic 3: Sponsorships**

Companies can establish or enhance brand awareness through sponsorships. Most companies naturally focus sponsoring efforts on events within specific industries, but successful brand-building efforts include events outside the company's main industry as well. Think about having a presence at trade shows and conferences for related industries, such as the technology, software programming, data-processing and service-providing market sectors. Going even further outside the industry, consider sponsorships in non-business-related events such as popular sporting events or by establishing business ties through sponsorships with area colleges and universities. Sponsorships help companies achieve several marketing objectives at one time – wider reach with the marketing message because events usually receive media coverage, especially on television and radio, which exposes more audiences to the brand. This visibility is greater than what the company could achieve using traditional or digital advertising, which would also be more expensive.

**Recommendation:** BATS should continue its industry trade show and conference sponsorships, but expand the tactic to community events such as T-Bones baseball, 5K runs/walks throughout the community and recurring festivals and contests, such as the renowned American Royal Barbecue. For college sponsorships, two major universities in the area – the University of Kansas and Kansas State University – recently broke ground on new business school facilities. Openings are expected in 2015. BATS should reach out to these universities and support these expansions through scholarships for students, sponsorships of grand opening events or even donations at levels to secure naming rights for classrooms or prominent signage in the new buildings. Besides corporate signage, look

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for sponsorships providing opportunities that allow exhibit tables or other ways to personally engage with event attendees. BATS should also consider producing appropriate branded giveaways to distribute at these events. All of these activities should be promoted on the website and through on-location social media postings and photographs.

**Measurements:** Follow-up surveys for people attending the same trade shows, conferences and events that BATS has sponsored can help determine changes in perceived value of the company and also provide feedback to improve the experience for attendees at future events. Mention of BATS in relation to news regarding the business school buildings opening on local college campuses also will signal success with this tactic. BATS could also monitor trending social media chatter during these events to gauge interest.

## **Phase 3: Engage. Inspire. Educate.**

Two-way conversations entice consumers today. Millennials, for example, respond to brand tactics that allow them to be part of the discussion. That is why engagement is a necessary marketing element. Likewise, people are inspired by companies that go beyond the norm. Authentically giving back to the community helps customers become more loyal to the brand. Educating the current investing public and younger generations who will become investors in the future positions BATS for growth.

### **Strategy 1: Building/Growing Relationships**

Relationships exist at every turn in a business model. That is why businesses cannot survive without strategies for managing them. Better relationships mean better business results. Building and growing relationships needs to be a very deliberate and intentional marketing strategy for BATS.

### **Tactic 1: Trade Shows and Conferences**

Trade show participation helps companies connect with prospective customers, marketing partners,

industry influencers and potential employees. The best way to reach the general investing public and business leaders is through brokers and other industry professionals who work closely with this target audience. BATS should continue to attend trade shows and conferences frequented by these audiences. The increasing cost of securing conference speakers has created opportunities for funding keynote speaker fees and travel expenses, which presents yet another branding opportunity for BATS.

**Recommendation:** BATS should expand its brand's presence within the financial industry by attending trade shows representing investment intermediaries and service providers. Websites such as MoneyShow.com list trade shows in the technology, data and financial planning business sectors. BATS should consider hosting a booth at these events and look for sponsorship opportunities that further promote the brand among conference attendees. Engage event attendees through contests, surveys, giveaways and photo opportunities at your trade show booth (bring a replica of the silver "BATS bell," for one idea). BATS-branded pens, notepads and informational material should be available. BATS should also consider sponsoring a keynote speaker that aligns with the company's culture and philosophy. A BATS executive could also be suggested as a possible speaker.

**Measurements:** Increase trade show participation from previous years and measure increases in brand awareness among attendees with simple surveys. Increases in BATS' trading membership requests could also be monitored.

### **Tactic 2: Speaking Engagements/Lectures**

Forming meaningful connections is an important part of any marketing effort. By positioning the BATS leadership team as thought leaders inside and outside the industry, the company can influence business leaders and the general investing public. These types of speaking opportunities exist at conferences, at corporate training events, in teaching seminars and on university campuses around Kansas City, across the U.S. and in international cities in which BATS maintains key exchange personnel,

such as London. A specific example is the KU Business School's annual public lecture series (<http://business.ku.edu/public-lecture-series>).

**Recommendation:** BATS should proactively seek to engage new audiences through executive speaking opportunities locally, nationally and in key international cities. As established thought leaders, the BATS leadership team can create engaging online content in the form of blog articles to generate additional brand exposure, which could then be distributed through the company's website and social media channels.

**Measurements:** BATS can measure improvement in these areas by tracking business leads collected at trade shows, new business contacts generated, the number of requests for company experts to be members of panel discussions, quotes by BATS employees placed in media stories, and analytic data for its website, blog posts and social media accounts. Reviewing trending local social media traffic when lectures are given would also indicate general interest levels.

### **Tactic 3: Internships and Scholarships**

As mentioned in previous sections, BATS can benefit by developing strong relationships with local universities and colleges. Another related tactic would be for BATS to establish programs that provide internships and scholarships, which could be promoted on these campuses. Internships could help BATS add low-cost staffing in areas including marketing, website development, technology, accounting and law. Scholarships could benefit students who exhibit potential for future BATS employment. Along with the benefits produced by the internships and scholarships, BATS would also build awareness among potential employees and future customers on campuses where these programs are promoted.

**Recommendation:** BATS should tap into the young local talent pool by offering internships for business, marketing, finance and computer/Web technology majors. Scholarships for students who show high potential for industry success emphasize BATS commitment to building relationships. Both opportunities should be promoted on campuses through BATS-branded materials.

**Measurements:** Campus surveys could show local

levels of BATS awareness among students and faculty. Reviewing the trending local social media traffic as winners are announced could show general interest in the programs.

### **Strategy 2: Cause Marketing: Invest in Kansas City and Local Startups**

Cause marketing initiatives allow companies to give back to their communities while also gaining brand exposure and building a positive brand image. BATS' competitors make use of cause marketing initiatives, and BATS can implement its own tactics that allow it to further its ties with communities in Kansas City while also boosting brand awareness.

#### **Tactic 1: Charity Contributions/Donations**

Charity contributions and donations would show that BATS stands for something bigger than just company profit. BATS employees care about the communities in which they live and work, which seems like a world without borders because it is a company accessible anywhere with an Internet connection. Charity contributions add personality and positive awareness to the brand, while providing important resources to benefit good causes.

**Recommendation:** BATS should maintain its current charitable initiatives, such as its relationships with Royals Charities and Habitat for Humanity, while also considering new giving opportunities. BATS should strive to maintain authenticity with its charitable initiatives, guarding against over-promotion while also being proud of its commitment to the community. This charitable giving can generate positive social media and blog content. For example, BATS should tweet each time a Royals player "bats 1,000," and with the tweet BATS should link to more information about the H4H partnership to boost public education about the program. BATS should ask the Royals broadcast team to relay the day's closing BATS 1000 Index figures in the process.

**Measurements:** Levels of charitable giving can be monitored annually. Analytic data can help determine

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traffic to and from marketing content covering the initiatives. Short surveys could also be conducted to measure public awareness of BATS' charitable initiatives.

## **Tactic 2: Youth Baseball**

BATS has already shown its commitment to Kansas City as well as its connection to baseball through its partnerships with the Royals. The company can combine these brand values by sponsoring local youth baseball teams or leagues, particularly those in urban areas where funding is most needed. In exchange for including the BATS logo on uniform shirts and perhaps a branded banner at the baseball field, funding could ensure many kids can have fun while learning the life lessons that come by playing sports.

**Recommendation:** BATS should consider sponsoring a youth baseball team or league in the Kansas City area. For example, the Reviving Baseball in the Inner City (RBI) Kansas City, Kan., league openly requests corporate sponsors on its website (<http://www.kckrbi.org/Page.asp?n=69289&org=kckrbi.org>). Extending this partnership to the Royals could also allow BATS to provide game tickets to these kids once per year at the end of the RBI season (the Royals already provide group discounts). This is one area where even relatively small financial contributions could make a big difference in the community.

**Measurement:** BATS could measure changes in brand awareness in areas where youth teams are sponsored through survey data.

## **Tactic 3: The Royals BATS Exchange Benefitting Harvesters**

The promotional relationship with the Royals builds BATS' brand awareness. BATS currently sponsors a charitable initiative with the Royals involving Habitat for Humanity. Another partnership idea involves a one-night promotional event called, "The Royals BATS Exchange Benefitting Harvesters."

**Recommendation:** The idea behind this charitable partnership centers around a food drive, a t-shirt

giveaway and a handful of actual (game-used or new) bats donated by Royals players. Everyone attending the Royals game on the night of the event is given a raffle ticket if they bring at least two non-perishable or canned food items. The food is donated to Harvesters (already a frequent partner of the Royals), while several generous fans win a donated bat through the raffle. All fans donating food receive a Royals t-shirt co-branded by BATS. Essentially, the fans with their shirts serve as walking advertisements for BATS. The baseball bat raffle winners should be notified via messaging on the CrownVision scoreboard during the game, which would include the BATS logo, along with mention over the public address system. BATS would be involved by providing the funds necessary to host and market the promotion. BATS could also use its own social media accounts to promote the event. This would be an easy promotion to replicate for other MLB/MiLB franchises if BATS sponsorship expands to other cities (particularly San Francisco, with its closeness to Silicon Valley, if BATS expands into the IPO listings market).

**Measurements:** Brand awareness surveys in the Kansas City area could help determine the effectiveness of these programs. BATS can also examine media coverage of the promotion.

## **Tactic 4: Kansas City Visuals/Branding**

Our surveys showed a very low rate of awareness for BATS' headquarters location, even among active investors living in and around Kansas City. Ties to Kansas City and pride in BATS' roots can be strengthened by including visually dynamic images of Kansas City on bats.com. BATS can take this strategy further than what NYSE currently uses on its website by tying in visuals of Kansas City with images of Wall Street and Lower Thames Street to emphasize the company's local/global branding. This would strongly improve the story BATS tells through its website, which could be that "markets are everywhere and so is BATS."

**Recommendation:** BATS has already used the services of Kansas City-based photographer Steve Puppe for corporate photography. We recommend reaching out to Puppe to commission a series of professionally

photographed shots of the Kansas City skyline and local landmarks. Puppe could also advise how to obtain professional photos from Wall Street and London.

**Measurements:** Surveys conducted before design changes and after they are implemented could help determine improvement in how website visitors tie BATS to Kansas City. Test the design changes before launch.

### **Tactic 5: Kauffman Foundation Partnership**

BATS should pursue a partnership with the Kauffman Foundation to identify non-profit startups in Kansas City who could provide greater benefits to their communities with additional funding from BATS/Kauffman grants. One organization to consider is the 1 Million Cups program that meets every week.

**Recommendation:** As with the youth baseball initiative in Tactic #2, relatively small donations can go a long way for non-profit organizations. The partnership with the Kauffman Foundation would mean BATS can focus on keeping its world-class markets running smoothly while the Foundation's staff provides information on potential recipients. News about grant recipients would provide engaging social content, with added possibilities of wider media attention.

**Measurements:** Increased traffic for recipients after receiving the grant could be requested, along with analytic data for BATS' own content regarding the grant. Media coverage should also be monitored.

### **Strategy #3: Education**

Our research showed that while BATS' media relations strategies are highly beneficial, even financial media members did not fully understand the complexities behind the high-tech operations of BATS and its exchanges. This suggests how little most business leaders and the general investing public know. It is hard for them to engage with BATS if these audiences do not understand basic details about the company. Likewise, BATS cannot influence future investors if younger generations do not know about the brand. This is why education about BATS and about investing in general is an important strategy.

### **Tactic 1: Show Off the Headquarters with Tours and Guest Bell Ringers**

BATS has a highly modernized headquarters, but few members of the general investing public have the opportunity to go inside. BATS can help change this by occasionally opening its doors for guided tours. In educational circles, BATS headquarters would make a fascinating field trip destination for local high schools and the business, finance and technology students of local colleges and universities. Special guest bell ringers, such as local sports stars and celebrities, could also raise awareness for BATS and gain media coverage.

**Recommendation:** BATS should expand its headquarters tour offerings and think of ideas to make the bell ringing a grander ceremony. BATS can let the local Chambers of Commerce know that it offers tours for groups coming in from out of town. Mention also should be made of opportunities for guests to ring the opening or closing bell. While visitors are at the headquarters, encourage them to take pictures and post them on social media. To make the photos most appealing, BATS should consider repositioning the bell to an area at the headquarters where a photo backdrop containing the BATS logo is in the background.

**Measurements:** BATS can gauge interest in its tours and bell-ringing opportunities by monitoring levels of requests for those activities. Local social media trends can be monitored on days when significant tours or bell ringers are present to determine levels of interest. Media mentions can also be monitored for celebrity bell ringers. Each of these activities also makes for engaging social media content that builds BATS brand and reputation, along with awareness among the general investing public.

### **Tactic 2: Trading Simulation Program**

Show-and-tell is one of most creative, experiential marketing tools companies can use to generate discussion among its customers. It is a cost-efficient way to leave strong and lasting impressions. BATS has a

# Recommendations

creative element in its toolbox in the form of its market simulation program at the company headquarters. However, few people know about it.

**Recommendation:** Promote the existence of the BATS trading simulation program to area media and encourage them to not only try the simulation but also remember it when needing an interactive tool to help members of the media explain market activity. BATS should also take the simulation on the road – the cyber road – and incorporate the simulation on the company website. The mobile simulation would also draw interest in high-traffic areas like college campuses, large local events (the annual Thanksgiving Plaza lighting in Kansas City, for example) and sporting events. Lastly, BATS should provide an option to easily share the simulation with others via social media posts.

**Measurements:** BATS should link a special tracking code to the online simulation program to monitor the number of users as well as how long users remain on the simulation page. Furthermore, BATS can incorporate an online survey as part of the simulation program to ask users about the experience and determine if the users are likely to share the program experience with others.

## **Tactic 3: School Simulation Challenge or Contest**

Our survey feedback shows that most people (including highly educated working professionals) do not have a good understanding of how investing works. BATS can help educate the general public taking the simulation mentioned in Tactic #2 and using it in area schools to help educate young people about how financial markets work.

**Recommendation:** Most people are familiar with the stock market game that many middle and high school students participate as a class assignment. BATS should offer its simulation program for class work or even create a contest where the top performing traders of stock on the BATS exchanges are treated to a special tour at the headquarters. A mobile simulation would make for a great in-school educational activity, along with a basic presentation to students about BATS. Again, BATS should be sure that user results can be shared via their social media accounts. Users should also be able to challenge their friends. Consider also having local celebrities share their scores.

**Measurements:** General surveys could be used to show increases in BATS brand awareness in areas visited by the mobile simulator. Website analytics could be used to show traffic to a website-based simulation.

## IPO Recommendations and Considerations

Several takeaways surfaced as we conducted primary and secondary research that BATS should consider. Research varies when it comes to BATS listing IPOs. Secondary research tells us that the number of IPO listings is expected to rise in coming years. However, the influx comes at a time when companies are waiting longer to go public. The average age of a company launching an IPO in 2013 was 16 years, compared with an average age of 5.5 years for companies going public between 1997 and 2001 (Renaissance Capital). For exchanges wanting to gain IPO listings, a recurring recommendation from primary sources involved establishing relationships in the early stages of businesses through pre-IPO ventures or crowdfunding platforms. Today's trend of waiting longer to go public could make the early-stage relationship building difficult. Instead of courting a company for a few years, the courtship may take a decade.

Our interview with Tom Taulli, blogger and financial adviser to startups as well as *Forbes* contributor, was especially enlightening in regard to BATS listing IPOs. Taulli acknowledged that “despite the JOBS Act’s aid to lessen the challenge to ‘go public,’ Sarbanes-Oxley’s requirements remain relatively demanding.” He went on to say that listing IPOs is a tough business and competition with the established brands could be especially arduous. BATS’ 2012 IPO setback is “tough to get over so they need to prove themselves,” Taulli said.

However, Taulli did believe BATS could have some success listing IPOs if they started in the pre-IPO arena. “I would look at what SecondMarket has done and go after that,” Taulli said. “I think they are probably a sitting duck. And BATS probably has better efficiencies and technology. They can leverage their

system and cross use other areas.” Taulli also noted, “A pre-IPO service provides BATS with a foothold and credibility with CEOs and, over time, they might consider BATS to pull off an IPO.”

Taulli recognized that BATS’ “DNA and culture” match exceedingly well with the tech industry in Silicon Valley. Thadd Hale, an entrepreneur who previously worked in Silicon Valley, echoed Taulli’s thoughts that, to make inroads in the “Valley,” bricks and mortar are needed.

Jim Bittman, Chicago Board Options Exchange director of program development, advised that BATS should compete heavily on IPO listing price and accentuate some proprietary technology. Furthermore, Bittman recommended, “If you’re going to advertise that you’re in the IPO business, you have to say we have market makers with enough capital and experience to handle IPOs. Stress their (BATS’) profile by stressing the things that they are good at, and in this business, that’s increasing market share and it’s having proprietary products with good technology.”

We believe BATS should consider a pre-IPO platform and wait until at least 2016 before going public. In this time, BATS can prove themselves with a successful integration with Direct Edge. With the public’s uncertainty of HFT and the release of *Flash Boys*, BATS can take the time to educate the public on the BATS’ story and continue to build brand awareness for an optimal listing in coming years. As Taulli stated with the idea of going public, “institutional investors want: predictability, reputable business model and big market opportunities.” BATS possesses all of those characteristics, the next step is communicating those qualities.

## Combating the Negative Perception of High-Frequency Trading

Rooted in humble beginnings as an innovative start-up, BATS Global Markets, with its feisty fortitude is now a world leader among stock exchanges. The company enjoys its success while superfast electronic trading practices draw increasing levels of scrutiny. Because of its advanced homegrown technology, the BATS brand is inextricably linked to the high-frequency trading debates involving prominent writers, market competitors, media personalities and others.

The vast majority of the general investing public does not understand the complexities of superfast trading (and perhaps markets in general) well enough to form deep opinions on either side of the debate. Audience

members look to financial experts to explain the details, and some seemingly “expert” voices are

louder than others, including Michael Lewis’s recently published *Flash Boys*, a book that demonizes the same market structure that provides advantages upon which virtually all investors can benefit. Terms often seen in the media, such as “predatory trading” and “rigged markets,” are alarming to the public. Yet our own informal research also showed that these concerns do not appear deeply held within the mainstream public. For instance, a day following the now-infamous *CNBC Power Lunch* debate featuring BATS President William O’Brien, the term “#hail” was being used three times more often than “#HFT” on Twitter. The reason appears simple: the general public knows what hail is.

Financial markets exist to facilitate asset trading. In the days following the March 31, 2014, release of Lewis’ book, the markets were working so well that

the S&P 500 index set a series of record highs. The markets clearly work for many investors, including millions among the general investing public. As Vanguard founder Jack Bogle said on *CBS Money-Watch* after the release of Lewis’ book, “Main Street is the great beneficiary” of exchanges like BATS. “We are better off with high-frequency trading than we are without it,” said Bogle. A mountain of similar statements supporting the efficiency of the current market structure joined Bogle’s comments. For instance, as Raymond James exchanges analyst Patrick O’Shaughnessy told *Bloomberg Businessweek* a day after Lewis’ book release, “The implication that the U.S. stock market is rigged against the average investor is highly irresponsible and wildly incorrect.”

***“Main Street is the greatest beneficiary” of exchanges like BATS.***

Jack Bogle, Vanguard founder

Even if BATS wants to distance itself from the HFT term, our recommendations aim

to help BATS tell the general public why the statements from Bogle and O’Shaughnessy are correct as part of its brand message.

The truth is that the general investing public’s opinion of BATS is largely irrelevant, since BATS has no direct interaction with those investors. BATS impacts general investors more directly by moving financial markets forward, facilitating the trading that improves pricing structures and ensures their investments are traded using the best technology, fair pricing and transparent operations. This is the message BATS should be communicating.

While these issues are as complex as they are important, the branding solutions are exceedingly clear. BATS should develop a very simple messaging that the public can easily comprehend which addresses the concerns related to HFT and the troubling phrases being tossed around in the media. BATS will position itself strongly as the debate rages on

by focusing on key messages and communicating its points of excellence (i.e., the things BATS does better than anyone else, like providing the best, most reliable technology in the industry, its entrepreneurial spirit, its Midwestern roots, e.g.) with directness and simplicity.

To revisit some of our marketing plan recommendations, BATS should implement several strategies to combat the rampant confusion and potentially negative perceptions its brand is facing among the general investing public as a result of these passionate debates. BATS should remove itself from the conversation where possible, instead focusing on key brand messages, such as how BATS uses innovative technology to facilitate the forward

movement of markets. As the comments of Bogle and O'Shaughnessy suggest, this forward movement overwhelmingly benefits Main Street investors. This leads to our strategic marketing recommendation for BATS to create website content with greater focus on the general investing public that supports a fully developed brand story.

When the public learns about BATS, it should discover a successful company with Kansas City-start-up roots that supports its hometown with authentic purpose and clearly defined values. Furthermore, developing easy-to-understand key messages will position BATS positively in the public's eyes, letting the brand tell its own story instead of leaving its branding to the louder voices of others.

# Timeline

With an established marketing communication plan in hand, BATS must focus on working the plan. To ensure success, the team developed a timeline for BATS to follow so the process moves forward smoothly and efficiently.

Below is a detailed breakdown of the tactics that BATS should address in various phases related to the aforementioned recommendations:

<b>0 to 3 months (May-July)</b>	
Identity: Brand Consultant - retaining agency for brand development with work to include: <ul style="list-style-type: none"> <li>• redefining brand elements with style guide for logo use</li> <li>• logo refresh/update</li> <li>• creating brand book</li> <li>• conducting surveys to establish perceptions before logo change and perceptions after logo change</li> </ul>	May-Jul, 2014
Advertising: Traditional - work with local ad agency on retainer basis for brand awareness campaign for Kansas City market; use this as foundation for brand awareness campaigns in other markets in subsequent years	May-Jul 2014
Social Media: Staffing - add at least one social media staff member to marketing and communications team; add other social media specialists as campaign rolls out in subsequent years	May 2014
Social Media: Expanded Channels - increase activity on other social media channels beyond Twitter; promote all the channels more prominently on corporate website to encourage more engagement	May-Jun 2014
Social Media: Infographics - work with local infographic specialist to create infographics quarterly (allow two-week development time per infographic)	Jun 2014
Cause Marketing: Royals Baseball and BATS Exchange Promotion	Jun 2014
Education: Internships - interview and hire	May-Jun 2014
<b>4 to 7 months (Aug-Nov)</b>	
Advertising: Sponsorships - purchase BATS-branded giveaways for trade shows and sponsored events	Jul-Aug 2014
Website: Redesigned - use of bats.com URL for general investing public promotions; redirect batsglobalmarkets.com URL to bats.com	Jul-Oct 2014
Website: Redesigned Landing Page - work with Web design consultant	July-Oct 2014
Website: SEO - follow SEO practices to improve search results	Jul-Aug 2014
Website: SEO - work with Web design consultant for search technology expertise	Jul-Aug 2014
Website: Personality Profiles - post profiles about BATS experts and staff members	Aug-Sep 2014

<b>4 to 7 months (Aug-Nov) continued</b>	
Website: Trading Simulation - promote physical simulation opportunity at BATS headquarters; work to get simulation online to post on BATS website	Sep-Nov 2014
Media Relations: Reaching Media with Social - encourage existing media contacts to follow BATS on social media; likewise BATS marketers should follow media contacts on social	Jul-Aug 2014
Advertising: Digital - use online ads to target messages to general investing public; start with Google Adwords as largest provider for greater reach; target local	Sep 2014
Relationships: Speaking Engagements - plan speaking engagement calendar	Sep 2014
Relationships: Scholarships - develop plan and process for awarding first scholarships beginning in fall of 2015	Sep-Nov 2014
Education: Tours and Bell Ringers - photo backdrop creation and promotion	Nov 2014
<b>8 to 11 months (Dec-Mar)</b>	
Media Relations: Press/Video Releases - expand existing press release distribution through more news syndication services	Dec-Feb 2015
Media Relations: Press/Video Releases - produce at least one video news release in first year; plan for additional VNRs in subsequent years of campaign	Feb-Mar 2015
Advertising: Traditional - contract with local sports celebrity for advertising campaigns; could tie to MLB's spring training or opening day in 2015	Feb-Mar 2015
Advertising: Sponsorships - identify community events unrelated to financial markets to sponsor (i.e., barbecue contests, 5K runs, etc.)	Jan 2015
Cause Marketing: Charities - identify charities of choice; develop implementation plan	Jan 2015
Cause Marketing: Youth Baseball - identify and coordinate specific leagues to assist in the spring	Dec 2014
Cause Marketing: Ties to Kauffman Foundation - develop sponsorship program	Jan-Mar 2015
<b>12 months and beyond (Apr 2015 and beyond)</b>	
Continually monitor social media trends to enhance strategic corporate messages	Ongoing
Package the local KC campaign and consider implementing similar strategies in different markets, particularly ones that support the targeted audiences (i.e., San Francisco and Chicago with baseball supporters and the investing public with money to invest)	Ongoing

# Budget

In addition to an investment of time, successful marketing plans require a financial commitment. Marketing industry data recommend companies should commit between 1 percent and 10 percent of revenues to marketing efforts. One source noted that companies intent on preserving existing levels of brand awareness and maintaining market share should commit up to 5 percent of annual revenues to marketing activities. However, the same data shows that companies wanting to increase brand awareness and gain market share need to double their committed funds to marketing activities ([http://frog-dog.com/articles/detail/how\\_much\\_should\\_companies\\_budget\\_for\\_marketing](http://frog-dog.com/articles/detail/how_much_should_companies_budget_for_marketing)).

Based on these industry trends and understanding BATS' minimal advertising/marketing spend in the past, our team recommends that BATS start small and commit at the minimal levels suggested in the aforementioned research. Eventually, BATS should consider increasing the amount of money dedicated to marketing efforts as the company expands its business offerings and looks to capture higher market share.

Therefore, the proposed marketing plan totals \$3,220,000, which is 1.6 percent of total revenues of \$197 million in 2013 (according to BATS) and 3.2 percent of the organization's total profit of \$102 million (revenue minus expenses) in 2013. It should be noted that some of this total includes one-time charges (i.e., work with local agency for initial branding campaign, etc.), while other items are recurring from year to year (i.e., salary for social media specialist, annual surveys, etc.). Furthermore, some portions of this estimated budget include spending BATS already incurs each year (i.e., about \$800,000 for trade shows/sponsorships, etc.).

## Budget

<i>Define. Refine. Refresh</i>		
<b>Tactic</b>	<b>Action</b>	<b>Est. Cost</b>
Identity: Brand Consultant	retaining agency for brand development, with work that includes: <ul style="list-style-type: none"> <li>● refreshing/updating logo</li> <li>● creating style guide for logo usage</li> <li>● development of a brand book</li> <li>● surveying for benchmarking perceptions before logo is changes and changes in perceptions after logo is refreshed</li> </ul>	\$175,000
<i>Communicate. Share. Promote.</i>		
<b>Tactic</b>	<b>Action</b>	<b>Est. Cost</b>
Website: Redesigned Landing Page	use of bats.com URL for general investing public promotions; redirect batsglobalmarkets.com URL to bats.com	\$25,000
Website: SEO	work with Web design consultant for search technology expertise, and then follow SEO practices to improve search results	\$8,000
Website: Personality Profiles	Prepare and post stories on BATS experts and staff members; share these stories through social media	handled internally or work with freelance writers for \$3,000

Website: Trading Simulation	promote physical simulation opportunity at BATS headquarters; work to get simulation online to post on BATS' website	\$5,000
Social Media: Staffing	add at least one social media staff member to marketing and communications team; add other social media specialists as campaign rolls out in subsequent years	\$68,000
Social Media: Expanded channels	increase activity on other social media channels beyond Twitter; promote all the channels more prominently on corporate website to encourage more engagement	handle internally by social media specialist
Social Media: Infographics	work with local infographics specialist to create up to four infographics per year; post on social and promote internally and externally	\$4,000
Media Relations: Press/Video Releases	Expand existing press release distribution through more news syndication service subscriptions	\$10,000
Media Relations: Press/Video Releases	Produce at least one video news release in first year; plan for additional VNRs in subsequent years of campaign	\$10,000
Media Relations: Reaching Media with Social	Encourage existing media contacts to follow BATS on social media; likewise BATS marketers should follow media contacts on social	handled internally by social media specialist
Advertising: Traditional	work with local ad agency on retainer basis for brand awareness advertising campaign for Kansas City market; use this as foundation for brand awareness advertising campaigns in other markets in subsequent years	\$70,000
Advertising: Traditional	with direction from agency, place ads in local, regional and industry publications (including <i>Kansas City Business Journal</i> ) as well as secure highly visible billboards in the Kansas City area	\$250,000
Advertising: Traditional	contract with local sports celebrity for advertising campaigns	\$70,000
Advertising: Digital	Use online ads to target messages to general investing public; start with Google Adwords as largest provider for greater reach; target local with possible ads in the <i>Silicon Prairie</i> newsletter	\$60,000
Advertising: Sponsorships	Consider sponsorships outside financial industry to build brand awareness (i.e., sponsor for local sporting events, naming rights at new university buildings, ground-breaking or grand-opening events, etc.)	\$500,000
Advertising: Sponsorships	support community events unrelated to financial markets (i.e., barbecue contests, 5K runs, etc.)	\$100,000
Advertising: Sponsorships	purchase BATS-branded giveaways for trade shows and at sponsored events	\$100,000
<b><i>Engage. Inspire. Educate</i></b>		
<b>Tactic</b>	<b>Action</b>	<b>Est. Cost</b>
Relationships: Trade Shows	Continue presence at industry trade shows (current estimated spend at about \$800,000); expand BATS' presence at institutional investing, technology, data and financial planning events	\$1,200,000

# Budget

Relationships: Speaking Engagements	Identify opportunities for speaking engagements to provide visibility for company representatives; budget some expense in case BATS needs to pay to participate in panel discussions	\$15,000
Relationships: Internships and Scholarships	tap young area talent and engage/help students with higher education learning opportunities and expenses; plan for two paid interns per semester and give away five \$1,000 college scholarships to area students who attend Kansas or Missouri four-year schools	\$100,000
Cause Marketing: Charities	identify local charity to sponsor/support	\$35,000
Cause Marketing: Youth Baseball	sponsor youth baseball team and have BATS' logo on uniforms and signage	\$10,000
Cause Marketing: Royals Baseball and BATS Exchange Promotion	expand relationship with the Royals with the "Royals BATS Exchange Benefitting Harvesters"; current sponsorship is \$200,000 per year	\$250,000
Cause Marketing: KC Visuals/ Branding	Secure Kansas City photographs for use on website and at BATS headquarters; distribute BATS' promotions at area visitor locations	\$35,000
Cause Marketing: Ties to Kauffman Foundation	Make charitable contributions to the Kauffman Foundation in support of services assisting entrepreneurs, such as 1 Million Cups	\$50,000
Education: Simulation	Promote the trading simulation program at schools, community events and on the Internet in a mobile format that can stand alone at community events for interactive opportunities for event attendees	\$5,000
Education: Tours and Bell Ringers	produce photo backdrop to display at headquarters and use for photo opportunities when visitors want a photo of the bell ceremony	\$1,000
<i>Miscellaneous marketing activity related to measurement</i>		
<b>Tactic</b>	<b>Action</b>	<b>Est. Cost</b>
Measurement: Media Monitoring	Subscribe to clipping services (i.e., Meltwater and/or service that monitors all media formats)	\$50,000
Measurement: Survey Programs	Subscribe to a survey creation, distribution and collection service (i.e., SurveyMonkey) that will provide targeted audience survey assistance for a subscription or paying per lead based on BATS intended reach for survey (about \$1 per lead); plan various surveys focusing on key marketing objectives, such as customer satisfaction, brand awareness and event effectiveness	\$10,000
Measurement: Analytics	Use analytics program(s) to measure effectiveness of marketing campaigns. Google Analytics is free; HootSuite for social media monitoring offers a free trial and then charges a minimal subscription	\$1,000

**Total Cost: \$3,220,000**

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## Definitions & Order Types

### Order and Routing Instruction Descriptions

#### Order Types

There are two basic order types on the BATS Exchanges: a market order and a limit order. BATS offers six major variants of the limit order.

##### MARKET ORDER

Market orders allow users to buy or sell a security that is to be executed at the NBBO available when the order reaches the exchange. BATS collars all market orders so that any portion of a market order sent to BATS that would execute at a price more than \$0.50 or 5% worse than the NBBO at the time the order initially reaches the exchange, whichever is greater, will be canceled. Market orders are implicitly IOC.

##### LIMIT ORDER

Limit orders allow users to buy or sell a security at a desired price or better. Time in Force (TIF) availability for limit orders:

DAY: If not executed, canceled at 4 p.m. ET.

GTD (Good 'til Day): If not executed, canceled at expire time or 5 p.m. ET.

IOC (Immediate or Cancel): Remainder of the order not filled immediately is canceled. Market orders are implicitly IOC.

Minimum Quantity is also available with IOC orders.

GTC (Good 'til Cancelled): If not executed, canceled at 4 p.m. ET.

GTX (Extended Day): If not executed, canceled at 5 p.m. ET.

##### > RESERVE ORDER

Reserve orders allow users to enter a limit order and only display a fraction of the order size. The entire size is available for execution. Also, the reserve portion of the order is last in priority after visible and hidden orders.

##### > DISCRETIONARY ORDER

Discretionary orders have a working visible price and an non-displayed "discretionary" price. The discretionary price is a hidden upward offset, which users are willing to buy, or a hidden downward offset, which users are willing to sell. A minimum amount of discretion necessary will be used to achieve execution.

##### > HIDDEN ORDER

Hidden orders allow users to hide the limit order on the BATS order book. Hidden orders have lower priority than visible orders at the same price level.

##### > PEG ORDERS (+ MINIMUM QUANTITY)

BATS allows orders to peg to the NBBO in four ways:

1. Primary - pegs to the same side of the NBBO as the order
2. Market - pegs to the opposite side of the NBBO from the order
3. Midpoint - pegs to the midpoint of the NBBO
4. Alternate Midpoint - pegs to the less aggressive of the midpoint of the NBBO or 1 tick inside the same side of the NBBO as the order
5. Market Maker - A visible post-only order available to BATS Registered Market Makers that is pegged a Designated Percentage away from a defined Reference Price.

BATS supports minimum quantity on hidden peg orders and non-routable IOC orders. Minimum quantity can be set using FIX Tag 110 (MinQty).

All pegged orders (except Market Maker) must be hidden, and optionally include a non-aggressive offset. Midpoint peg orders may not include an offset and may result in executions at half-penny increments. Peg prices will be temporarily clipped as necessary to avoid crossing the market. All pegged orders are ranked at a lower priority than non-pegged orders. Pegged orders are not routable and therefore must be BATS Only or Add Liquidity Only. Regular peg orders have a higher priority than Midpoint peg orders ranked at the same price. Finally, midpoint orders can have a time in force (TIF) of immediate or cancel (IOC).

##### > INTERMARKET SWEEP ORDERS (ISO)

An intermarket sweep order (ISO) defined as an immediate or cancel order (IOC) ignores the NBBO and does not route away from the BATS order book. Day ISO orders provide a day time frame rather than the default IOC order. Directed ISO orders are sent via BATS to a specified market center.

##### > POST ONLY ORDER

Post only orders allow users to make a market and specify not to remove liquidity unless adequate price improvement is accessible. Any incoming post only orders that cross with a resting displayed order that does not offer adequate price improvement will be rejected.

#### General Information

##### SECURITIES TRADED ON BATS

All NYSE, NASDAQ, AMEX, and regional exchange listed securities.

##### TRADING HOURS

Pre-Opening: 8 to 9:30 a.m. ET Core Trading: 9:30 to 4 p.m. ET Post-Close: 4 to 5 p.m. ET

## Routing Instructions

The following routing strategies are available on both of the BATS Exchanges (BZX Exchange and BYX Exchange).

### DRT

DRT is a dark routing technique that routes to dark pools offering possible price improvement and lower access fees.

### RE-ROUTE

Re-Route is designed to aggressively re-route and fill orders. Orders come off the BATS order book and target a locking or crossing quote at another market center, matching or improving upon the limit price. This behavior occurs anytime BATS receives an updated quote from another market that locks OR crosses the order resting on the BATS order book. Re-routing may continue until the order is completely filled.

### B2B

B2B allows Members to route to both BATS Exchanges' order books at-cost of the target platform. Orders will first check the originating order book (BZX Exchange or BYX Exchange), and optionally the BATS' DRT strategy before routing to the BATS sister exchange at-cost.

### BATS+ DRT

BATS+ DRT first access the BATS order book, then remaining shares route to participating Dark Liquidity Partners (DLPs), offering potential price improvement and lower access fees.

### BATS DEFAULT ORDER (BATS+ ALL)

Access liquidity at all market centers by sending order flow to BZX Exchange or BYX Exchange with the default, or ALL, routing strategy. This order makes use of routing strategies available within the BATS Smart Order Router.

### BATS ONLY ORDER

Access only BATS liquidity by sending the order to BZX Exchange or BYX Exchange with the BATS ONLY routing strategy. By default this order isn't routed to away markets.

### BATS+ (ARCA, EDGX, EDGA, NASDAQ, NASDAQ BX or NYSE) ORDER

Access BATS and one of the above market centers' liquidity by sending the order to BATS with BATS+ routing strategy. The order first removes liquidity on BATS. Any remainder will be sent to the corresponding market center as an IOC.

## PARALLEL STRATEGIES

### Parallel D – Best Price

Splits a routable order and sends it to multiple market centers simultaneously at the same price level. Liquidity is exhausted at each price level to the limit price.

### Parallel 2D – Fastest Execution

Splits a routable order and sends it to multiple market centers *and* multiple price levels simultaneously.

### Parallel T – Top Only

Splits a routable order and sends it to multiple market centers executing against only the protected (top) quotes.

### TRIM – Route to Select Low-Cost Venues

TRIM orders access low-cost market centers (as defined by BATS and are subject to change). Optionally, TRIM may be combined with BATS' DRT strategy. After routing to low-cost and DRT markets, the order returns to the originating exchange—BZX Exchange or BYX Exchange. Orders originating on BZX Exchange, may optionally access the BZX Exchange order book first. **TRIM2** and **TRIM3** offer variations to TRIM with fewer market centers.

### SLIM – Route to All Markets While Minimizing Fees

SLIM orders originating on BZX Exchange first scrape that book then route to BYX Exchange. Orders originating on BYX Exchange first scrape the BYX Exchange order book. SLIM next accesses low-cost protected market centers, followed by DRT markets, unless Members elect to skip DRT. SLIM then looks at additional low-cost protected market centers before routing to **all remaining protected market centers**. Finally, the order returns to the originating exchange.

### SLIM+ – BZX Exchange-only Strategy

Identical to SLIM, except it first routes to BYX Exchange prior to accessing the BZX Exchange order book.

## Links

[Technical Specifications](#) | FIX (Financial Information Exchange) and BOE (Binary Order Entry) protocol information for the BATS Exchanges.

[Market Data Specifications](#) | Detailed connectivity information for each market data feed option.

[Fee Schedule](#) | Pricing for accessing liquidity, liquidity rebates, routing and other pricing models.

[Connectivity Manual](#) | A network connectivity manual that provides information on how to connect to BZX Exchange or BYX Exchange.

## Contacts

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## Routing Strategies

Routing FIX Tags and Instructions

View our [Fee Schedule](#) for pricing information. All strategies are subject to change.

FIX TAG	DESCRIPTION	
<b>SMART ORDER ROUTING (SOR)</b>		
9303=	Smart Order Routing to Protected Markets - <i>Markets in parentheses are optional.</i>	
1st Character	Specifies the target destination.	
R	Visible Markets	
2nd Character	Used to enable/disable Re-Route on Lock/Cross. Only applicable when the first character is "R".	
L	Re-Route - Allows for use of a Parallel strategy up to limit or discretion price on entry and allows for re-route via a Parallel strategy after the order has booked only if another market locks or crosses the limit or discretion price.	
N	Do not use Re-Route.	
3rd Character	Specifies the routing strategy. Only applicable when the first and second characters are populated with a valid value.	
D	Parallel D ( <i>Default</i> ) - Splits order across multiple destinations in parallel, at NBBO.*	
2	Parallel 2D - Splits order across multiple destinations in parallel, simultaneously targeting multiple price levels.	
T	Parallel T - Splits order across multiple destinations in parallel, simultaneously targeting multiple price levels of only the protected (top) quote.	
R	TRIM ( <i>when originating on BYX</i> ) = BYX+ BX+ EDGA+ (DRT)+ NYSE+ BZX TRIM ( <i>when originating on BZX</i> ) = BZX+ BYX+ BX+ EDGA+ (DRT)+ NYSE TRIM ( <i>when originating on BZX and does not scrape BZX first**</i> ) = BYX+ BX+ EDGA+ (DRT)+ NYSE	<i>Markets in parentheses are optional.</i>
P	TRIM2 ( <i>when originating on BYX</i> ) = BYX+ (DRT)+ BX+ EDGA TRIM2 ( <i>when originating on BZX</i> ) = BZX+ BYX+ (DRT)+ BX+ EDGA TRIM2 ( <i>when originating on BZX and does not scrape BZX first**</i> ) = BYX+ (DRT)+ BX+ EDGA	<i>Markets in parentheses are optional.</i>
Q	TRIM3 ( <i>only originates on BZX</i> ) = BZX+ BYX+ (DRT)+ BX TRIM3 ( <i>only originates on BZX and does not scrape BZX first**</i> ) = BYX+ (DRT)+ BX	<i>Markets in parentheses are optional.</i>
S	SLIM ( <i>when originating on BYX</i> ) = BYX+ LCPMC+ (DRT)+ LCPMC+ All other protected markets SLIM ( <i>when originating on BZX</i> ) = BZX+ BYX+ LCPMC+ (DRT)+ LCPMC+ All other protected markets SLIM+ ( <i>when originating on BZX</i> ) = BYX** + BZX + LCPMC + (DRT)+ LCPMC + All other protected markets	<i>Markets in parentheses are optional.</i> LCPMC = Low-cost protected market centers
18=	Smart Order Routing to All Markets	
u	BATS+ DRT - Accesses liquidity on the BATS order book, then routes to DRT Dark Liquidity Partners (DLPs), then returns to the BATS order book or will be canceled depending on user's instruction.	
v	Force DRT - Overrides a port-level opt-out of DRT.	
1st Character	<b>BATS+ DIRECTED ORDERS</b>	
9303=		
Optional	Optionally add DRT after the first market center by indicating 18=v.	
Z	B2B ( <i>when originating on BYX</i> ) = BYX+ (DRT)+ BZX B2B ( <i>when originating on BZX</i> ) = BZX+ (DRT)+ BYX	
J		
Y	[BZX/BYX]+ (DRT)+ NYSE	
A	[BZX/BYX]+ (DRT)+ NYSE ARCA <i>(Part of "One Under" Program)</i>	
N	[BZX/BYX]+ (DRT)+ NASDAQ <i>(Part of "One Under" Program)</i>	
D	BYX+ (DRT)+ EDGA <i>(Part of "One Under" Program)</i>	
See next page	C, D, G, K, L, M, T, U, V, W, X <i>(Part of "One Under" Program)</i>	
1st Character	<b>BATS ONLY</b>	
9303=		
B	BATS Only (ISO if 18=f)	
P	Post Only	
Q	Post Only at Limit	

\*National Best Bid and Offer  
\*\*Unless price improvement is available on the BZX Exchange.

FIX TAG	DESCRIPTION
1st Character	<b>BATS ONLY</b>
9303=	
B	BATS Only (ISO if 18=f)
P	Post Only
Q	Post Only at Limit
1st Character	<b>INTERMARKET SWEEP ORDERS (ISO)</b>
9303= 18=f	
A	NYSE ARCA
C	NSX
D	EDGA
G	EDGX
K	Boston
L	LavaFlow
M	Chicago
N	NASDAQ
T	TRAC
U	NYSE AMEX
V	DATA
W	CBSX
X	Philadelphia
Y	NYSE

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#### Links

[Technical Specifications](#) | FIX (Financial Information Exchange) and BOE (Binary Order Entry) protocol information for the BATS Exchanges.  
[Order Types](#) | Order types and routing strategies for the BZX Exchange and BYX Exchange platforms.  
[DRT](#) | Dark Routing Technique offering possible price improvement and lower access fees.  
[Fee Schedule](#) | Pricing for accessing liquidity, liquidity rebates, routing and other pricing models.

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#### Contacts

Sales                    212.378.8527 | [sales@bats.com](mailto:sales@bats.com)  
Trade Desk            913.815.7001 | [tradedesk@bats.com](mailto:tradedesk@bats.com)



## Web Products

Online Member Portal Features

U.S. Options & Equities

BATS is committed to developing the best online data and tools to make doing business with BATS easy. For straightforward order look-up capabilities, port monitoring, price improvement data, trading statistics and market share information, BATS has created the Online Member Portal—a comprehensive suite of value-added tools designed specifically to give customers easy, online access to the information they need. Below is an overview of our Online Member Portal features.

### Order Lookup

When BATS Members need to access their order information, they can quickly search for and generate specific order status and detailed execution information. Results can be sorted by a variety of fields.

**Orders Matching:** date of 2010-07-19 and symbol of SPY and start time of 09:35:00 and end time of 09:36:00

[Job Queue](#)  
[New Order Lookup](#)  
[Account Home](#)

Double click a row to view the order detail

Timestamp	Order Id	Client Order ID	MPID	Symbol	Side	Size	Price	Type
2010-07-19 09:35:09.98455	AJ279000AG2Y	1234567-8910	1	SPY	Buy	100	107.2200	Limit
2010-07-19 09:35:09.99010	AJ279000AG4N	1234567-8910	1	SPY	Buy	100	107.2200	Limit
2010-07-19 09:35:09.99017	AJ279000AG4P	1234567-8910	1	SPY	Buy	100	107.2200	Limit
2010-07-19 09:35:11.75259	AJ279000AIY3	1234567-8910	1	SPY	Buy	100	107.2400	Limit
2010-07-19 09:35:11.75264	AJ279000AIY4	1234567-8910	1	SPY	Buy	100	107.2400	Limit

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Member [FINRA](#) [SIPC](#) | [Privacy Statement](#)

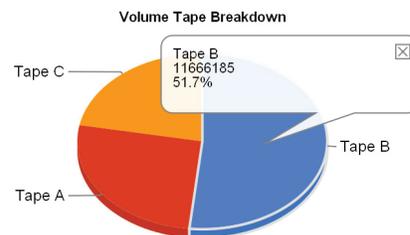
### Current Activity

BATS offers the Current Activity tool, which shows Members their daily trading activity. The tool provides an instant snapshot of symbols, total volume, added/removed volume, routed volume, positions and buy/sell volume. Members can download data to save as needed.

MPID	Symbol	Volume	Added	Ext Add	Removed	Routed	Position	Buy Vol	Sell Vol
<b>Total:</b>		128,113	104,376	0	8,703	15,034	-44,551	41,781	86,332
1	<u>SIRI</u>	87,000	87,000	0	0	0	-63,000	12,000	75,000
2	<u>XLF</u>	17,081	0	0	5,203	11,878	17,081	17,081	0
3	<u>CIM</u>	6,000	6,000	0	0	0	2,000	4,000	2,000
4	<u>UNG</u>	2,000	2,000	0	0	0	2,000	2,000	0
5	<u>ERIC</u>	1,960	1,960	0	0	0	-1,960	0	1,960

### Statistics & Ranking

For Members that need a straightforward method to track their firm's volume and order efficiency on a BATS market, BATS has created a ranking tool that provides the firm's overall ranking, ranking by tape, shares added or removed, and total number of trades. Members can search by date and download to save. Available for any day with more than 5,000,000 shares executed.



## Real-Time Latency Monitoring

This service for BATS BYX and BZX Exchange Members allows customers to analyze order efficiency and address issues immediately by monitoring order latency in real-time via a dashboard. Members also receive overall BATS latency statistics, so they know how they compare to average speeds.

**U.S. BZX Equities Latency Statistics**

[About these stats](#) [Refresh](#) [Download CSV](#) \* All latency numbers are in microseconds

Path	Port ID	IP Port	Order to Ack				Cancel to Out				Order to Quote				TCP Ack from Member
			count	avg(min)	avg	stdev	count	avg(min)	avg	stdev	count	avg(min)	avg	stdev	avg(min)
10G	0001	1234	37,743	156	228	256	35,973	123	191	228	37,452	163	225	238	55
10G	0002	1235	37,743	149	226	270	35,860	114	189	267	37,408	160	225	248	52
10G	0003	1236	37,715	158	225	244	35,922	126	190	250	37,373	164	223	229	55
10G	0004	1237	37,744	156	223	256	35,878	124	187	249	37,405	163	222	241	52

## Ports Dashboard

The BATS Ports Dashboard provides real-time port information that can help customers maximize their trading activity on the BATS markets and improve operational efficiency. Using the dashboard, customers can track how much traffic each port receives, the provider of the port, the IP addresses and other port details, all in real-time.

Name	IP port	State	Open Orders (Current)	Orders (Total)	Rejects (Total)	TCP Retrans (Total)	IP Address	Provider	Trade Group	Last Connection
Filter: Active Ports   All Types   <input type="checkbox"/> Disable Automatic Updates   Statistics Period: Last 5 minutes   Export										
<b>DROP</b> (2)										
0003	00000	Ready	-	-	-	0	00.000.0.0	Radianz		2009-07-24 07:36
0043	00000	Ready	-	-	-	16	00.000.0.0	Radianz		2009-07-24 07:36
<b>FIX</b> (Total Open Orders: 1072) (4)										
0001	00000	Ready	1	598	0	0	00.000.0.000	Private Line Ethernet		2009-07-24 08:00
0017	00000	Ready	0	462	0	0	00.000.0.000	Private Line Ethernet		2009-07-24 08:00
1008	00000	Ready	0	6	0	0	00.000.0.000	RGC		2009-07-24 07:30
1010	00000	Ready	0	6	0	0	00.000.0.000	RGC		2009-07-24 07:30
<b>PITCH</b> (1)										
0010	00000	Ready	-	-	-	13	00.000.0.000	Private Line Ethernet	TEST	2009-07-24 08:00

## Trade Data

The Trade Data tool in the Online Member Portal allows Members to download trade data for the current and previous days with the option to view a detail of their hidden liquidity. This dynamic data can be downloaded in human-readable CSV or DROP CSV formats, and can be scheduled for automated download.

## Additional Customer-Specific Data

In addition to the tools highlighted above, BATS customers have access to a wealth of their firm's trading data available in the Online Member Portal. To request login credentials to access your firm's information, contact the BATS Trade Desk.

### Links

[Dark & Hidden Liquidity Features](#) | Link to individual documents highlighting the above feature spotlights.  
[Fee Schedule](#) | Pricing for accessing liquidity, liquidity rebates, routing and other pricing models.

### Contacts

Sales 212.378.8527 | sales@bats.com  
 Trade Desk 913.815.7001 | tradedesk@bats.com

## Market Regulation and Legislation

### **A list of regulators, legislative bodies and associations pertinent to BATS' operations include:**

- U.S. Federal Government – <http://www.usa.gov>
- U.S. Department of the Treasury – <http://www.treasury.gov>
- Consumer Financial Protection Bureau – <http://www.consumerfinance.gov>
- Crowdfund Intermediary Regulatory Advocates – <http://www.cfira.org/>
- Kansas Crowdfunding Investment Association – <http://www.kscfia.org/>
- U.S. Securities and Exchange Commission – <http://www.sec.gov>
- U.S. Commodity Futures Trading Commission (includes Subcommittee on Automated and High Frequency Trading) – <http://www.cftc.gov>
- Federal Deposit Insurance Corporation – <http://www.fdic.gov>
- Financial Industry Regulatory Authority, Inc. – <http://www.finra.org>
- Financial Conduct Authority (UK) – <http://www.fca.org.uk>
- National Credit Union Administration – <http://www.ncua.gov/Pages/default.aspx>
- Prudential Regulation Authority (UK) – <http://www.bankofengland.co.uk/pru/Pages/default.aspx>
- Federal Reserve System – <http://www.federalreserve.gov>
- International Organization of Securities Commissions – <http://www.iosco.org>
- Bank of England (UK) – <http://www.bankofengland.co.uk>
- European Banking Authority – <http://www.eba.europa.eu>
- European Commission (includes European System of Financial Supervision) – [http://ec.europa.eu/internal\\_market/finances/committees/index\\_en.htm](http://ec.europa.eu/internal_market/finances/committees/index_en.htm)
- German Federal Financial Supervisory Authority (GER) – <http://www.bafin.de>
- Securities and Futures Commission (HK) – <http://www.sfc.hk>
- Australian Securities and Investments Commission – <http://www.asic.gov.au/>
- A good list of international securities commissions and regulatory agencies can be found here: <http://www.world-stock-exchanges.net/regulators.html>

## Market Regulation and Legislation

### A list of legislation and rules pertinent to BATS' operations include:

- The Securities Act of 1933 – <https://www.sec.gov/about/laws/sa33.pdf>
- The Banking Act of 1933 –  
<https://archive.org/details/FullTextTheGlass-steagallActA.k.a.TheBankingActOf1933>
- The Securities Exchange Act of 1934 – <https://www.sec.gov/about/laws/sea34.pdf>
- Investment Advisers Act of 1940 – <http://www.sec.gov/about/laws/iaa40.pdf>
- Financial Services Modernization Act of 1999 –  
<http://www.gpo.gov/fdsys/pkg/PLAW-106publ102/html/PLAW-106publ102.htm>
- Financial Services and Markets Act of 2000 (UK) –  
<http://www.legislation.gov.uk/ukpga/2000/8/contents>
- Sarbenes-Oxley Act of 2002 – <https://www.sec.gov/about/laws/soa2002.pdf>
- Regulation Fair Disclosure – <https://www.sec.gov/rules/final/33-7881.htm>
- Emergency Economic Stabilization Act of 2008 –  
<http://www.gpo.gov/fdsys/pkg/PLAW-110publ343/pdf/PLAW-110publ343.pdf>
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 –  
<https://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>
- The Volcker Rule of 2011 – <http://www.sec.gov/rules/proposed/2011/34-65545.pdf>
- European Market Infrastructure Regulation –  
<http://www.esma.europa.eu/page/European-Market-Infrastructure-Regulation-EMIR>
- Jumpstart Our Business Startups (JOBS) Act –  
<http://www.gpo.gov/fdsys/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf>
- Regulation U – [http://www.federalreserve.gov/reportforms/forms/FR\\_U-120140131\\_f.pdf](http://www.federalreserve.gov/reportforms/forms/FR_U-120140131_f.pdf)
- Markets in Financial Instrument Directive (Europe) –  
[http://ec.europa.eu/internal\\_market/securities/isd/mifid/index\\_en.htm](http://ec.europa.eu/internal_market/securities/isd/mifid/index_en.htm)
- Hochfrequenzhandelsgesetz “HFT Rules” (GER) – <http://www1.bgbli.de/produkte/bgbli-kombi.html>
- Regulation Crowdfunding (Pending) – <http://www.sec.gov/rules/proposed/2013/33-9470.pdf>
- Regulation Systems Compliance and Integrity (Pending) –  
<https://www.sec.gov/rules/proposed/2013/34-69077.pdf>

## NYSE Euronext, Inc., Snapshot

Publicly-traded IntercontinentalExchange Group (ICE), which acquired NYSE Euronext in December 2013, provides the following facts about its network of regulated exchanges and clearinghouses for financial and commodity markets.

- NYSE Euronext operates in 24 marketplaces, has 9,700 listed contracts and securities, records more than 17 million in trade volume per day and \$19 trillion in combined market cap of NYSE and Euronext listed shares.
- NYSE Euronext is the global leader in IPO listings, with 157 transactions in 2013, raising \$59.1 billion in total global proceeds – more than the next three exchanges combined.
- In a strong year for small-caps, NYSE MKT, the listing and trading market for growth-oriented companies, welcomed 27 new listings in 2013.
- NYSE Arca led in new exchange-traded product (ETP) listings in 2013 – of more than 150 ETPs that listed in the U.S. this year, more than 80 percent listed on NYSE Arca.
- NYSE Euronext is home to 90 percent of the companies comprising the Dow Jones Industrial Average and 78 percent of companies comprising the Standard and Poor's (S&P) 500.

(Source: <http://usequities.nyx.com/listings/choosing-nyse-uronext>)

S&P, from a 2011 analyst's review, lists these strengths and weaknesses for NYSE Euronext:

### Strengths

- Operates the New York Stock Exchange, one of the most well-known and respected brand names in the world
- Maintains a leading position among U.S. and European stock and derivative exchanges
- Generates consistently strong cash flows from well-diversified operations

### Weaknesses

- Profitability metrics lag that of other large well-diversified exchange companies
- Low amount of liquid assets on the balance sheet
- Negative tangible equity

(Source: <http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245327101498>)

NYSE Euronext Inc. (U.S. Operations) – Financial Performance				
	Column1	Column2	Column3	Column4
	Revenue		Operating Income	
Year	(\$ million)	(% change)	(\$ million)	(% change)
2008	2,970.0	8.1	331.0	N/C
2009	3,297.0	11.0	196.0	-40.8
2010	3,064.0	-7.1	515.9	163.2
2011	3,101.0	1.2	579.1	12.3
2012	2,585.0	-16.6	419.9	-27.5
2013*	2,592.3	0.3	481.4	14.6

\* Estimates, which do not reflect acquisition of ICE

Source: Annual report and IBISWorld

## Nasdaq OMX Group, Inc. Snapshot

Publicly-traded Nasdaq offers the following facts about its company:

- Nasdaq has more listed companies (approximately 3,100), trades more volume (approximately 2 billion shares daily) and handles more IPOs (over 1,044 since 2000) than any other U.S. exchange.
- Nasdaq has significant reach in a broad range of industry sectors – financial, industrial, healthcare and consumer companies comprise over 50 percent of Nasdaq listings.
- Nasdaq has the world's highest listing standards. Nasdaq's Global Select Market has financial and corporate governance listing standards that are more stringent than any exchange in the world, including the NYSE.
- The Nasdaq Global Platform provides companies throughout the world access to U.S. capital formation, which in turn fosters world economic growth and extends business transactions across borders and among cultures.
- Nasdaq offers an exceptional product with lower listing fees. Nasdaq's fees are lower than the NYSE for initial listing, annual fees and fees for the listing of additional shares.
- Financial products based on Nasdaq Indexes offer unparalleled exposure for both large and small companies to institutional and retail investors.
- Industry-leading institutional investor conferences give companies the ability to gain significant exposure to potential international investors. Consumer and business-to-business brands benefit from a major Times Square presence through the Nasdaq MarketSite.
- Millions of visitors a day are using Nasdaq.com as their primary resource for information on companies.

(Source: <http://www.nasdaqomx.com/aboutus/market-information/ourmarkets>)

S&P lists these strengths and weaknesses for Nasdaq:

### Strengths

- Well-diversified mix of listed equities and derivative products
- Strong competitive positions in the U.S. and Northern European markets
- Efficient and scalable trade execution technology that is used internally and sold to exchanges around the world
- Diverse business model that translates into profitability and good cash flow from operations

### Weaknesses

- Moderately heavy debt load
- Revenues that depend on the robustness of global capital markets
- Intense competition from established exchanges and nontraditional trading venues (for example, dark pools and internalization)
- Weak capitalization, especially considering the company's expansion into over-the-counter (OTC) derivatives clearing

(Source: <http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245327089056>)

NASDAQ OMX Group, Inc. (U.S. Operations) –					
Financial Performance		Column1	Column2	Column3	Column4
		Revenue	Operating Income		
Year		(\$ million)	(% change)	(\$ million)	(% change)
2008		3,093.0	36.6	542.3	N/C
2009		2,742.0	-11.3	484.9	-10.6
2010		2,558.0	-6.7	505.8	4.3
2011		2,699.0	5.5	547.7	8.3
2012		2,422.0	-10.3	535.8	-2.2
2013*		2,418.9	-0.1	467.3	-12.8

\* Estimates

Source: Annual report and IBISWorld

## The Nielsen Company's PRIZM Segments: Primary Target Audience *Behaviors and demographics for "general investing public"*

### "Money & Brains"

#### **Wealthy Older Family Mix**

The residents of Money & Brains seem to have it all: high incomes, advanced degrees, and sophisticated tastes to match their credentials. Many of these city dwellers are married couples with few children who live in fashionable homes on small, manicured lots.

**Social Group:** Urban Uptown

**Lifestage Group:** Affluent Empty Nests

#### **Demographics Traits**

- **Urbanicity:** Urban
- **Income:** Wealthy
- **Income Producing Assets:** Elite
- **Age Ranges:** 45-64
- **Presence of Kids:** Family Mix
- **Homeownership:** Mostly Owners
- **Employment Levels:** Management
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White, Black, Asian, Hispanic, Mix

#### **Lifestyle & Media Traits**

- Shop at Banana Republic
- Travel for business
- Read New York Times
- Watch tennis
- Mercedes E Class



### "Country Squires"

#### **Upscale Middle Age w/ Kids**

The wealthiest residents in exurban America live in Country Squires, an oasis for affluent Baby Boomers who've fled the city for the charms of small-town living. In their bucolic communities noted for their recently built homes on sprawling properties, the families of executives live in six-figure comfort. Country Squires enjoy country club sports like golf, tennis, and swimming, as well as skiing, boating, and biking.

**Social Group:** Landed Gentry

**Lifestage Group:** Accumulated Wealth

#### **Demographics Traits**

- **Urbanicity:** Town/Rural
- **Income:** Upscale
- **Income Producing Assets:** High
- **Age Ranges:** 35-54
- **Presence of Kids:** HH w/ Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Management
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White, Asian, Mix

#### **Lifestyle & Media Traits**

- Order from amazon.com
- Vacation at ski resorts
- Read Shape
- Watch The Biggest Loser
- Chevy Suburban Flex Fuel



## **“Fast-Track Families”**

### **Upscale Middle Age w/ Kids**

With their upscale incomes, numerous children, and spacious homes, Fast-Track Families are in their prime acquisition years. These middle-aged parents have the disposable income and educated sensibility to want the best for their children. They buy the latest technology with impunity: new computers, DVD players, home theater systems, and video games. They take advantage of their rustic locales by camping, boating, and fishing.

**Social Group:** Landed Gentry

**Lifestage Group:** Young Accumulators

#### **Demographics Traits**

- **Urbanicity:** Town/Rural
- **Income:** Upscale
- **Income Producing Assets:** High
- **Age Ranges:** 35-54
- **Presence of Kids:** HH w/ Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Management
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White

#### **Lifestyle & Media Traits**

- Order from gap.com
- Vacation at beach
- Read National Geographic Kids
- Watch Private Practice
- GMC Yukon XL Flex Fuel



## **“Upward Bound”**

### **Upscale Middle Age w/ Kids**

More than any other segment, Upward Bound appears to be the home of those legendary Soccer Moms and Dads. In these small satellite cities, upscale families boast dual incomes, college degrees, and new split-levels and colonials. Residents of Upward Bound tend to be kid obsessed, with heavy purchases of computers, action figures, dolls, board games, bicycles, and camping equipment.

**Social Group:** Second City Society

**Lifestage Group:** Young Accumulators

#### **Demographics Traits**

- **Urbanicity:** Second City
- **Income:** Upscale
- **Income Producing Assets:** High
- **Age Ranges:** 35-54
- **Presence of Kids:** HH w/ Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Professional
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White, Asian, Hispanic, Mix

#### **Lifestyle & Media Traits**

- Order from zappos.com
- Vacation at national parks
- Read Outside
- Watch The Office
- Mazda SUV



## “Winner’s Circle”

### **Wealthy Middle Age w/ Kids**

Among the wealthy suburban lifestyles, Winner's Circle is the youngest, a collection of mostly 35- to 54-year-old couples with large families in new-money subdivisions. Surrounding their homes are the signs of upscale living: recreational parks, golf courses, and upscale malls. With a median income over \$100,000, Winner's Circle residents are big spenders who like to travel, ski, go out to eat, shop at clothing boutiques, and take in a show.

**Social Group:** Elite Suburbs

**Lifestage Group:** Accumulated Wealth

### **Demographics Traits**

- **Urbanicity:** Suburban
- **Income:** Wealthy
- **Income Producing Assets:** Elite
- **Age Ranges:** 35-54
- **Presence of Kids:** HH w/ Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Management
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White, Asian, Mix

### **Lifestyle & Media Traits**

- Shop at Ann Taylor
- Visit theme parks
- Read Inc.
- Watch American Idol
- Mercedes-Benz SUV



## Definitions of cited “Social Groups”

**Urban Uptown:** The five segments in Urban Uptown are home to the nation’s wealthiest urban consumers. Members of this social group tend to be midscale to upscale, college educated and ethnically diverse, with above-average concentrations of Asian and Hispanic Americans. Although this group is diverse in terms of housing styles and family sizes, residents share an upscale urban perspective that’s reflected in their marketplace choices. Urban Uptown consumers tend to frequent the arts, shop at exclusive retailers, drive luxury imports, travel abroad and spend heavily on computer and wireless technology.

**Landed Gentry:** Widely scattered throughout the nation, the five segments in the Landed Gentry social group consist of wealthy Americans who migrated to the smaller boomtowns beyond the nation’s beltways. Many of the households contain Boomer families and couples with college degrees, expansive homes and professional jobs – they’re twice as likely as average Americans to telecommute. With their upscale incomes, they can afford to spend heavily on consumer electronics, wireless and computer technology, luxury cars, powerboats, books and magazines, children’s toys and exercise equipment.

**Second City Society:** Among the second-tier cities, Second City Society stands at the top of the heap – a social group consisting of the wealthiest families who live outside the nation’s metropolitan core. Married couples with college degrees, large homes and executive jobs dominate the three segments in this group. Ethnically, the residents are predominantly white with above-average rates of Asian Americans. In the marketplace, they spend big on digital and wireless technology, business and cultural media, casual-dining restaurants, upscale retailers, foreign travel and luxury cars.

**Elite Suburbs:** The most affluent suburban social group, Elite Suburbs is a world of six-figure incomes, post-graduate degrees, single-family homes, and managerial and professional occupations. The segments here are predominantly white with significant concentrations of well-off Asian Americans. Befitting their lofty salaries, members of this group are big consumers of large homes, expensive clothes, luxury cars and foreign travel. Despite representing a small portion of the U.S. population, they hold a large share of the nation’s personal net worth.

## Definitions of cited “Lifestage Groups”

**Affluent Empty Nests:** While those on the “MTV side” of fifty may debate their inclusion in this group, Americans in the Mature Years tend to be over 45 years old and living in houses that have empty-nested. The four wealthiest segments in this group are classified Affluent Empty Nests, and they feature upscale couples who are college educated, hold executive and professional positions and are over 45. While their neighborhoods are found across a variety of landscapes – from urban to small-town areas – they all share a propensity for living in large, older homes. With their children out of the house, these consumers have plenty of disposable cash to finance active lifestyles rich in travel, culture events, exercise equipment and business media. These folks are also community activists who write politicians, volunteer for environmental groups and vote regularly in elections.

**Accumulated Wealth:** The three segments in Accumulated Wealth contain the wealthiest families, mostly college-educated, white-collar Baby Boomers living in sprawling homes beyond the nation’s beltways. These large family segments are filled with upscale professionals – the group’s median income is nearly six figures – who have the disposable cash and sophisticated tastes to indulge their children with electronic toys, computer games and top-of-the-line sporting equipment. The adults in these households are also a prime audience for print media, expensive cars and frequent vacations – often to theme parks as well as European destinations.

**Young Accumulators:** Compared to the Accumulated Wealth group, the five segments in Young Accumulators are slightly younger and less affluent than their upscale peers. Ethnically diverse, these households include an above-average number of Hispanic and Asian Americans. Adults typically have college educations and work a mix of white-collar managerial and professional jobs. Found mostly in suburban and exurban areas, the large families in Young Accumulators have fashioned comfortable, upscale lifestyles in their mid-sized homes. They favor outdoor sports, kid-friendly technology and adult toys like campers, powerboats and motorcycles. Their media tastes lean toward cable networks targeted to children and teenagers.

(Source: “Segment Explorer.” *PRIZM Market Segmentation Research, Tools, Market Segment Research*,. The Nielsen Company, n.d. Web. 4 Feb. 2014.

<<http://www.claritas.com/MyBestSegments/Default.jsp?ID=30&menuOption=segmentexplorer&pageName=Segment%2BExplorer>>.)

## The Nielsen Company's PRIZM Segments: Secondary Target Audience *Behaviors and demographics for "general investing public"*

### **"Young Digerati"**

#### **Wealthy Younger Family Mix**

Young Digerati members are tech-savvy and live in fashionable neighborhoods on the urban fringe. Affluent, highly educated, and ethnically mixed, Young Digerati communities are typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants and all types of bars--from juice to coffee to microbrew.

**Social Group:** Urban Uptown

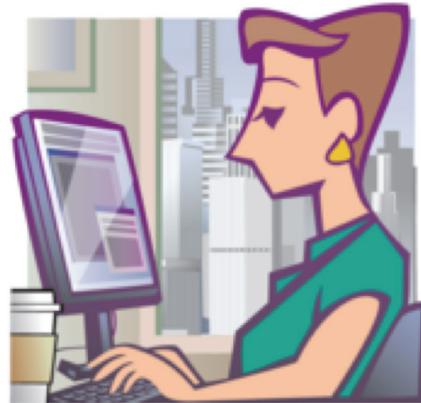
**Lifestage Group:** Young Achievers

#### **Demographics Traits**

- **Urbanicity:** Urban
- **Income:** Wealthy
- **Income Producing Assets:** Elite
- **Age Ranges:** 25-44
- **Presence of Kids:** Family Mix
- **Homeownership:** Mix, Renters
- **Employment Levels:** Management
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White, Asian, Hispanic, Mix

#### **Lifestyle & Media Traits**

- Shop at Bloomingdale's
- Travel to Asia
- Read Dwell
- Watch Independent Film Channel
- Audi A3



### **"Up-and-Comers"**

#### **Upper Mid Younger w/o Kids**

Up-and-Comers is a stopover for younger, upper-midscale singles before they marry, have families, and establish more deskbound lifestyles. Found in second-tier cities, these mobile adults, mostly age 25 to 44, include a disproportionate number of recent college graduates who are into athletic activities, the latest technology, and nightlife entertainment.

**Social Group:** City Centers

**Lifestage Group:** Young Achievers

#### **Demographics Traits**

- **Urbanicity:** Second City
- **Income:** Upper Mid
- **Income Producing Assets:** Moderate
- **Age Ranges:** 25-44
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Mix, Owners
- **Employment Levels:** WC, Service, Mix
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White, Black, Asian, Hispanic, Mix

#### **Lifestyle & Media Traits**

- Order from priceline.com
- Travel to South America
- Read Cigar Aficionado
- Watch South Park
- Nissan Altima Hybrid



## “Young Influentials”

### **Midscale Younger w/o Kids**

Once known as the home of the nation's yuppies, Young Influentials reflects the fading glow of acquisitive yuppiedom. Today, the segment is a common address for younger, middle-class singles and couples who are more preoccupied with balancing work and leisure pursuits. Having recently left college dorms, they now live in apartment complexes surrounded by ball fields, health clubs, and casual-dining restaurants.

**Social Group:** Middleburbs

**Lifestage Group:** Young Achievers

### **Demographics Traits**

- **Urbanicity:** Suburban
- **Income:** Midscale
- **Income Producing Assets:** Below Avg
- **Age Ranges:** <35
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Renters
- **Employment Levels:** WC, Service, Mix
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White, Black, Asian, Hispanic, Mix

### **Lifestyle & Media Traits**

- Shop at Best Buy
- Play racquetball
- Read Details
- Watch American Dad
- Mitsubishi Eclipse



## Definitions of cited “Social Groups”

**Urban Uptown:** The five segments in Urban Uptown are home to the nation’s wealthiest urban consumers.

Members of this social group tend to be midscale to upscale, college educated and ethnically diverse, with above-average concentrations of Asian and Hispanic Americans. Although this group is diverse in terms of housing styles and family sizes, residents share an upscale urban perspective that’s reflected in their marketplace choices. Urban Uptown consumers tend to frequent the arts, shop at exclusive retailers, drive luxury imports, travel abroad and spend heavily on computer and wireless technology.

**City Centers:** The five segments in the City Centers social group consist of a mix of Americans – old and young, homeowners and renters, families and singles – who’ve settled in the nation’s satellite cities. What they share is a middle-class status, educations that include at least some college, and a lifestyle heavy on leisure and recreation. The members of City Centers tend to be big fans of home-centered activities: Internet surfing, video renting, TV viewing, and playing games and musical instruments. Outside their homes, they go to movies, museums and bowling alleys at high rates.

**Middleburbs:** The five segments that comprise Middleburbs share a middle-class, suburban perspective, but there the similarity ends. The group includes a mix of homeowners and renters as well as high school graduates and college alums. With good jobs and money in their jeans, the members of Middleburbs tend to have plenty of discretionary income to visit nightclubs and casual-dining restaurants, shop at midscale department stores, buy dance and easy listening CDs by the dozen, and travel across the U.S. and Canada.

## **Definitions of cited “Lifestage Groups”**

**Young Achievers:** Young, hip singles are the prime residents of Young Achievers, a lifestage group of twentysomethings who’ve recently settled in metro neighborhoods. Their incomes range from working-class to well-to-do, but most residents are still renting apartments in cities or close-in suburbs. These seven segments contain a high percentage of Asian singles, and there’s a decidedly progressive sensibility in their tastes as reflected in the group’s liberal politics, alternative music and lively nightlife. Young Achiever segments are twice as likely as the general population to include college students living in group quarters.

(Source: “Segment Explorer.” *PRIZM Market Segmentation Research, Tools, Market Segment Research*,. The Nielsen Company, n.d. Web. 4 Feb. 2014.

<<http://www.claritas.com/MyBestSegments/Default.jsp?ID=30&menuOption=segmentexplorer&pageName=Segment%2BExplorer>>.)

## The Nielsen Company's PRIZM Segments: Seniors 65 and Older

### *Behaviors and demographics for "general investing public"*

#### **"New Empty Nests"**

##### **Upper Mid Mature w/o Kids**

With their grown-up children recently out of the house, New Empty Nests is composed of upper-middle income older Americans who pursue active--and activist--lifestyles. Most residents are over 65 years old, but they show no interest in a rest-home retirement. This is the top-ranked segment for all-inclusive travel packages; the favorite destination is Europe.

**Social Group:** The Affluentials

**Lifestage Group:** Conservative Classics

##### **Demographics Traits**

- **Urbanicity:** Suburban
- **Income:** Upper Mid
- **Income Producing Assets:** Elite
- **Age Ranges:** 65+
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Mostly Retired
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White

##### **Lifestyle & Media Traits**

- Shop at T.J.Maxx
- Vacation for 2+ weeks
- Read Smithsonian
- Watch golf
- Cadillac sedan



#### **"Gray Power"**

##### **Midscale Mature w/o Kids**

The steady rise of older, healthier Americans over the past decade has produced one important by-product: middle-class, home-owning suburbanites who are aging in place rather than moving to retirement communities. Gray Power reflects this trend, a segment of older, midscale singles and couples who live in quiet comfort.

**Social Group:** Middleburbs

**Lifestage Group:** Conservative Classics

##### **Demographics Traits**

- **Urbanicity:** Suburban
- **Income:** Midscale
- **Income Producing Assets:** Above Avg
- **Age Ranges:** 65+
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** Mostly Retired
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White

##### **Lifestyle & Media Traits**

- Shop at Lord & Taylor
- Own stationary bike
- Read Barron's
- Watch Frontline
- Mercedes-Benz Sprinter



## **“Traditional Times”**

### **Upper Mid Older w/o Kids**

Traditional Times is the kind of lifestyle where small-town couples nearing retirement are beginning to enjoy their first empty-nest years. Typically in their fifties and sixties, these upper-middle-class Americans pursue a kind of granola-and-grits lifestyle. On their coffee tables are magazines with titles like Country Living and Country Home. But they're big travelers, especially in recreational vehicles and campers.

**Social Group:** Country Comfort

**Lifestage Group:** Conservative Classics

#### **Demographics Traits**

- **Urbanicity:** Town/Rural
- **Income:** Upper Mid
- **Income Producing Assets:** High
- **Age Ranges:** 55+
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Homeowners
- **Employment Levels:** White Collar, Mix
- **Education Levels:** College Graduate
- **Ethnic Diversity:** White

#### **Lifestyle & Media Traits**

- Shop at Sam's Club
- Contribute to PBS
- Read Southern Living
- Watch Antiques Roadshow
- Toyota Avalon



## **“Big Fish, Small Pond”**

### **Upscale Older w/o Kids**

Older, upper-class, college-educated professionals, the members of Big Fish, Small Pond are often among the leading citizens of their small-town communities. These upscale, empty-nesting couples enjoy the trappings of success, including belonging to country clubs, maintaining large investment portfolios, and spending freely on computer technology.

**Social Group:** Landed Gentry

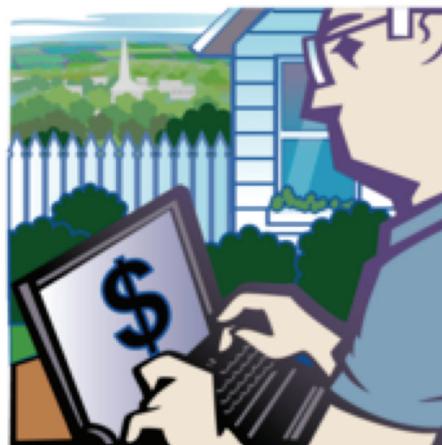
**Lifestage Group:** Affluent Empty Nests

#### **Demographics Traits**

- **Urbanicity:** Town/Rural
- **Income:** Upscale
- **Income Producing Assets:** Millionaires
- **Age Ranges:** 55+
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Homeowners
- **Employment Levels:** White Collar, Mix
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White

#### **Lifestyle & Media Traits**

- Shop at Talbots
- Go sailing
- Read Kiplinger's Personal Finance
- Watch Kentucky Derby
- Toyota sedan



## **“Second City Elite”**

### **Upscale Older w/o Kids**

There's money to be found in the nation's smaller cities, and you're most likely to find it in Second City Elite. The residents of these satellite cities tend to be prosperous professionals who decorate their homes with multiple computers, large-screen TV sets, and an impressive collection of wines. With more than half holding college degrees, Second City Elite residents enjoy cultural activities--from reading books to attending theater and dance productions.

**Social Group:** Second City Society

**Lifestage Group:** Affluent Empty Nests

### **Demographics Traits**

- **Urbanicity:** Second City
- **Income:** Upscale
- **Income Producing Assets:** Elite
- **Age Ranges:** 55+
- **Presence of Kids:** HH w/o Kids
- **Homeownership:** Mostly Owners
- **Employment Levels:** White Collar, Mix
- **Education Levels:** Graduate Plus
- **Ethnic Diversity:** White, Asian, Mix

### **Lifestyle & Media Traits**

- Shop at Neiman Marcus
- Collect art
- Read Smart Money
- Watch Live from Lincoln Center
- Lexus ES



## **Definitions of cited “Social Groups”**

**The Affluentials:** The six segments in The Affluentials are one socioeconomic rung down from the Elite Suburbs – with a significant drop in median income – but their residents still enjoy comfortable, suburban lifestyles. The median income and median home value in The Affluentials are well above the U.S. median values, and the members of this social group are mostly singles who tend to have college degrees and white-collar jobs. Asian-Americans make up an important minority in these predominantly white segments. As consumers, The Affluentials are big fans of health foods, computer equipment, consumer electronics, and the full range of big-box retailers.

**Middleburbs:** The five segments that comprise Middleburbs share a middle-class, suburban perspective, but there the similarity ends. The group includes a mix of homeowners and renters as well as high school graduates and college alums. With good jobs and money in their jeans, the members of Middleburbs tend to have plenty of discretionary income to visit nightclubs and casual-dining restaurants, shop at midscale department stores, buy dance and easy listening CDs by the dozen, and travel across the U.S. and Canada.

**Country Comfort:** The five segments in Country Comfort are filled with predominantly white, upper-middle-class homeowners. In their placid towns and scenic bedroom communities, these Americans tend to be married, mostly between the ages of 25 and 54, with or without children. They enjoy comfortable upscale lifestyles, exhibiting high indices for barbecuing, bar-hopping, and playing golf as well as home-based activities such as gardening, woodworking and crafts. Reflecting their rural, family environment, they prefer trucks, SUVs and minivans to cars.

**Landed Gentry:** Widely scattered throughout the nation, the five segments in the Landed Gentry social group consist of wealthy Americans who migrated to the smaller boomtowns beyond the nation’s beltways. Many of the households contain Boomer families and couples with college degrees, expansive homes and professional jobs – they’re twice as likely as average Americans to telecommute. With their upscale incomes, they can afford to spend heavily on consumer electronics, wireless and computer technology, luxury cars, powerboats, books and magazines, children’s toys and exercise equipment.

**Second City Society:** Among the second-tier cities, Second City Society stands at the top of the heap – a social group consisting of the wealthiest families who live outside the nation’s metropolitan core. Married couples with college degrees, large homes and executive jobs dominate the three segments in this group. Ethnically, the residents are predominantly white with above-average rates of Asian Americans. In the marketplace, they spend big on digital and wireless technology, business and cultural media, casual-dining restaurants, upscale retailers, foreign travel and luxury cars.

## **Definitions of cited “Lifestage Groups”**

**Conservative Classics:** College educated, over 55 years old and upper-middle-class, the six segments in Conservative Classics offer a portrait of quiet comfort. These childless singles and couples live in older suburban homes with two cars in the driveway and a wooden deck out back. For leisure at home, they enjoy gardening, reading books, watching public television and entertaining neighbors over barbecues. When they go out, it’s often to a local museum, the theater or a casual-dining restaurant like the Olive Garden or Lone Star Steakhouse.

**Affluent Empty Nests:** While those on the “MTV side” of fifty may debate their inclusion in this group, Americans in the Mature Years tend to be over 45 years old and living in houses that have empty-nested. The four wealthiest segments in this group are classified Affluent Empty Nests, and they feature upscale couples who are college educated, hold executive and professional positions and are over 45. While their neighborhoods are found across a variety of landscapes – from urban to small-town areas – they all share a propensity for living in large, older homes. With their children out of the house, these consumers have plenty of disposable cash to finance active lifestyles rich in travel, culture events, exercise equipment and business media. These folks are also community activists who write politicians, volunteer for environmental groups and vote regularly in elections.

(Source: “Segment Explorer.” *PRIZM Market Segmentation Research, Tools, Market Segment Research*,. The Nielsen Company, n.d. Web. 4 Feb. 2014.

<<http://www.claritas.com/MyBestSegments/Default.jsp?ID=30&menuOption=segmentexplorer&pageName=Segment%2BExplorer>>.)

## BATS Web Audit

Global Sites by URL:  
 Bats.com / Batsglobalmarkets.com  
 Batstrading.com / Batsexchange.com

Batsoptions.com  
 Batstrading.co.uk  
 Directedge.com



**Purpose:** This rough website audit presents an analysis of current content, including pros and cons for main pages and suggestions for potential improvements.

**Website:** Bats.com / Batsglobalmarkets.com

Bats.com/Batsglobalmarkets.com includes a top nav and page content with six primary linked pages (/markets; /education; /news; /about; /contact; and /edgeintegration)

**Home:** Bats.com and Batsglobalmarkets.com **Page Title:** BATS Global Markets



**Pros:** Easy-to-use top nav; well organized content; clear links for more information; BATS market data relevant for general investing public is included on right side

**Cons:** No homepage in top nav; lack of engaging content/visuals; people may not understand how BATS Global Markets relates to BATS Exchange/Trading/Global Stock and Options Markets, etc.; social media buttons are hard to find; news links are PDFs so the content is not easily shared, plus some mobile devices will not read PDFs without the Adobe software

**Suggestions:** Add homepage to top nav; add engaging visuals; put 'about' content into infographic-style visuals that tell the story without so much text (nothing is wrong with the current site; it provides good information, but you can present it in a more visually engaging way); improve integration of social media to allow data and news to be shared/tweeted by users easier; streamline website titles, banner/headers and URLs; Explore varying text weights to highlight key information; match page title to banner title; consider responsive designs that improve mobile user experiences

## Interior Pages

### /markets

### /education

**Pros:** Informative interior pages; well organized content; the "Stock Market Industry Landscape" graphic is excellent; educational materials are helpful

**Cons:** Markets page is a bit bland; social media/sharing options limited

**Suggestions:** Adding color or visuals to the Markets page (perhaps in the volume charts) would liven it up (<https://www.tdameritrade.com/pricing.page> has several good examples of subtle ways color has been added, plus the site has some nice background texture); make social integration easier, particularly for your engaging educational features



# Appendix

## Interior Pages for bats.com

**Pros:** RSS feed on News page; easy-to-find media contacts; BATS 1000 Index; collapsible info in left nav of News page; nice info on About page

**Cons:** News releases in PDF format with "FINAL" in file names; presentation of BATS Index could be stronger; About page looks bland

**Suggestions:** Add color and visuals into the pages where possible; staff personality profiles would boost brand personality that could go to new Who We Are page, with current Who We Are content staying on About page; add social media integration; send news releases in HTML and PDF formats, and remove "FINAL" from PDF file names

## /news

Value	Change	% Change	% YTD
20,926.25	+103.00	+0.49%	+0.50%

## /about

**Who We Are**

BATS Global Markets, Inc. (BATS) is a leading provider of securities markets in the U.S. and Europe. BATS operates and operates markets for the trading of listed cash-equity securities in the U.S. and Europe and listed equity options in the U.S.

The BATS markets are powered by a proprietary technology platform that was developed by a core team of BATS market and technology professionals. Our mission is "to make markets better" through innovations in technology, performance, pricing, market structure and customer service.

**U.S. STOCK EXCHANGES**

- NYSE Exchange
- NYSE Arca Exchange
- NYSE Euronext Exchange
- NYSE MKT Exchange
- NYSE National Exchange
- NYSE Real Time Exchange
- NYSE REX Exchange
- NYSE SIX Exchange
- NYSE U.S. Exchange

**PAN-EUROPEAN EXCHANGE**

- BATS CHX-Europe

**U.S. OPTIONS EXCHANGE**

- BATS Options

**U.S. STOCK LISTINGS**

- BATS Listings

## /contact

**Contact**

Your contact at BATS and Direct Edge is listed on the right. If you need additional support for EDGA or EDGX, please contact [info@directedge.com](mailto:info@directedge.com).

**MEMBERSHIP SERVICES**

BATS: 201-942-8200, ext. 913  
Direct Edge: 201-942-8200, ext. 911

**TRADE DESK**

BATS: 201-942-8200, ext. 913  
Direct Edge: 201-942-8200, ext. 911

**MEDIA**

[media@bats.com](mailto:media@bats.com)

## /edgeintegration

**Integration Schedule**

Target Date	Milestone
10/17/14	EDGAEODX transaction filing (addressed to BATS) <a href="mailto:info@bats.com">info@bats.com</a> - 201-942-8200
10/20/14	FAQ available regarding exchange specific functionality for EDGA and EDGX at <a href="http://bats.com/edgeintegration">bats.com/edgeintegration</a>
10/20/14	Updated technical specifications available at <a href="http://bats.com/edgeintegration">bats.com/edgeintegration</a>
10/20/14	BATS connectivity testing available using new EDGAEODX certification testnet (accessing the certification environment in NY5)
10/20/14	EDGAEODX certification testnet (accessing the certification environment in NY5)
10/20/14	BATS connectivity testing available for new EDGAEODX production testnet (accessing the BATS production platform in NY5)
10/20/14	New EDGAEODX production testnet (accessing the certification environment in NY5)
10/20/14	EDGAEODX Members may begin to request access to the BATS Member Web Portal
10/20/14	BATS connectivity testing available for new EDGAEODX testnet (accessing the certification environment in NY5)
10/20/14	Member and operational in new production environment (specific date TBD)
10/21/14	Final (Staging/Prod) testing of TEST SYMBOLS ONLY in production in new EDGAEODX NY5 production environment
10/21/14	Final Release Test/Go-Live/Release before go-live of EDGA and EDGX in NY5
10/21/14	Completion of EDGA and EDGX migration to BATS technology in NY5
10/21/14	EDX, BIX, and BATS Options move to NY5

**Pros:** Excellent list of contact information; Integration page contains helpful information about merger

**Cons:** Pages look bland; news releases only available in PDF format with "FINAL" in file name; Edge Integration page seems buried in website, but has nice content; content unsharable

**Suggestions:** Add color and visuals into the pages where possible; add social media integration; news releases in HTML and PDF formats, and remove "FINAL" from PDF file names

## Website: Batstrading.com / Batsexchange.com

Batstrading.com/Batsexchange.com includes a top nav and page content with 11 primary linked pages (/home; /membership; /listings; /market\_data; /features; /support; /news; /about; /contact; /regulation and /alerts). Global links (batsoptions.com, batstrading.co.uk, bats.com and directedge.com) in above BATS U.S. Stock Exchanges banner, beside member Login (/account). Links to BATS Twitter and LinkedIn accounts included on lower right corner of top banner. Same links plus 605 reports on bottom nav.

## Home: Batstrading.com/home; Batsexchange.com/home Page Title: BATS Exchange

**Pros:** Praised by industry users; BATS 1000 Index value and change with drop-down sector-specific data well placed; conveys helpful quick-view info for traders; virtually no blocks of text

**Cons:** Overwhelming data for general investing public; news section overwhelms mobile page; news releases are PDFs with “FINAL” in file names; little social media interaction, no sharable info; lacking visual engagement; page title and banner title do not match; difficult to understand interaction with other BATS sites, particularly bats.com

**Suggestions:** Add engaging visuals; make obvious link for general investors to find bats.com (batstrading.com comes up in Google searches from general investors); improve integration of social media to allow data and news to be shared/tweeted by users easier; streamline website titles, banner/headers and URLs; explore varying text weights to highlight key information; responsive design would improve mobile experience; make news releases available in HTML and PDF and make them sharable, fix PDF file names

## Interior Pages for batstrading.com /membership

**Pros:** Membership page – includes easy-to-find contact info; informative page with helpful PDF downloads; Listings page uses more visuals with tabbed info block and helpful left nav

**Cons:** Bland look on Membership page with no engaging visuals; streamline company references (e.g., “BATS Equities” or “BATS Exchanges” or “BATS Markets”); Listings page iShares banner and listings bulletin ad are not new announcements

**Suggestions:** Add color and visuals into the pages where possible; streamline company self-references; Listings page: add new announcement or reword so it is not old news; tabbed table is nice but color would help

## /listings

## Interior Pages for batstrading.com /market\_data

**Pros:** Terrific left nav and market information on Market Data page; no text blocks; good cross-marketing promo with Investor RT and Pro ad; helpful info on Features page with plenty of PDF and product links; little gray graphics next to product features are nice touch

**Cons:** Visuals can still be added, particularly for Features page; Features page could benefit from drop-down menus on different features; Investor RT ad gets a bit lost on Market Data page

**Suggestions:** Add color and visuals into the pages where possible; shaded green background would benefit Investor RT ad; drop-down menu for Features sections

## /support

## /news

**Pros:** Very helpful links and information on Support page; RSS feed on News page; easy-to-find media contacts; BATS 1000 Index; collapsible info in left nav of News page

**Cons:** Visuals needed for Support page; lack of drop-down menu on Support page; News releases in PDF format with "FINAL" in file names; presentation of BATS Index could be stronger

**Suggestions:** Add color and visuals into the pages where possible; add social media integration; send news releases in HTML and PDF formats, and remove "FINAL" from PDF file names; allow for PDF or HTML versions on Support page

## Interior Pages for batstrading.com /about

**Pros:** About page tailored more for traders with less general information than bats.com About page; excellent Contact page with helpful information

**Cons:** Information about nuts and bolts of how BATS works could be improved on About page; completely bland look without color or visuals of any kind on both pages

**Suggestions:** Add color and visuals into the pages where possible; streamline company self-references; links could be added back to the Bats.com site in case general public lands here

## /regulation

## /alerts

**Pros:** Regulation page contains excellent information, great left nav, very well organized; PDF file names on Regulation page easy to understand; Alerts page also well organized with helpful left nav; excellent pages for users

**Cons:** Both pages bland with no color or visuals; only way to view links on Regulation page is to download a PDF – some mobiles will not download PDFs easily

**Suggestions:** Add color and visuals into the pages where possible; streamline company self-references; Offer Regulation page links in PDF and HTML formats

## /605\_Reports

## Internal 605

**Suggestions:** Add color and visuals into the pages where possible; look of Internal pages should be improved because customers still interact with it

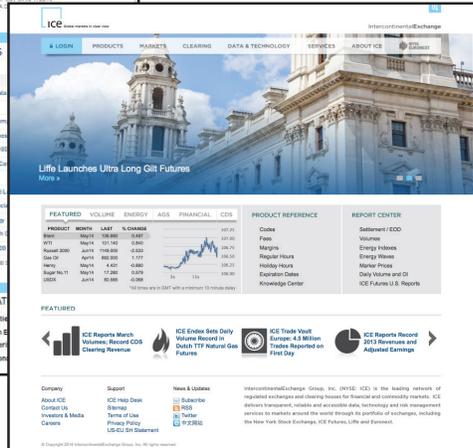
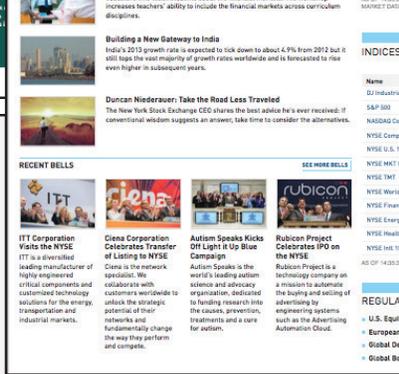
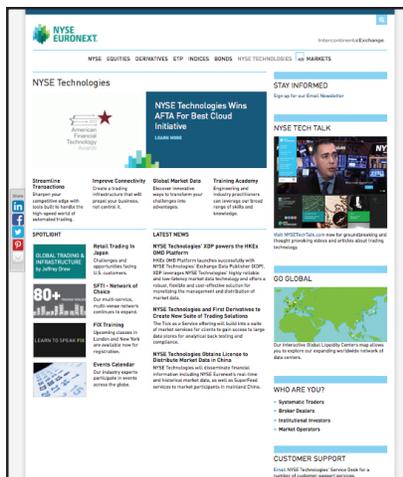
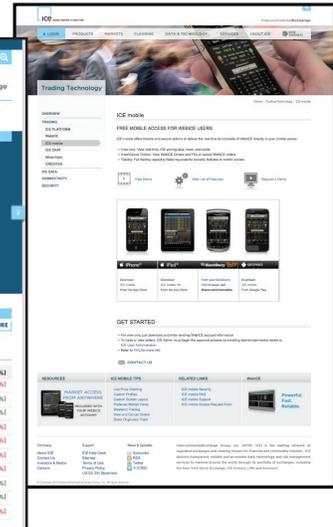
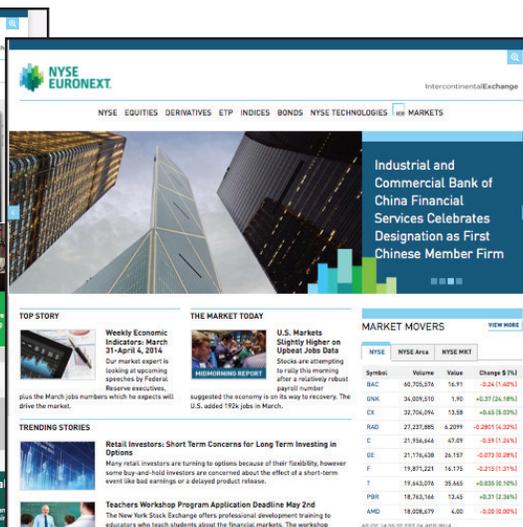
## Web Redesign Ideas

Here are some examples and ideas of ways other companies have incorporated visually engaging elements into their websites, as we are recommending for BATS. This is a particular

recommendation for bats.com/batsglobalmarkets.com, although batstrading.com can also benefit. BATS can consider these designs while developing its own distinct look.

“Websites lead the top of the brand necessity list.”  
—Alina Wheeler

### NYSE and ICE



NYSE and ICE incorporate landmark-based visuals, colorful graphics and sharing options into their websites. The content is not as vibrant as users click through to inner pages, but the most visited sites use a combination of white space, color mostly based on their logo and (still too much) text.

Website basics (source: *Designing Brand Identity*, Wheeler, 2013)

Begin site structure with content, not screen design. Write content specifically for the web.

At each stage ask: Is the message clear? Is the content accessible? Is the experience positive?

Keep site goals, audience needs, key messages and brand personality central to each and every decision.

Don't wait to make it perfect. Get it out there and constantly make it better. Give users a reason to return.

Conduct usability testing and consider future growth of all platforms/devices.

## TD Ameritrade

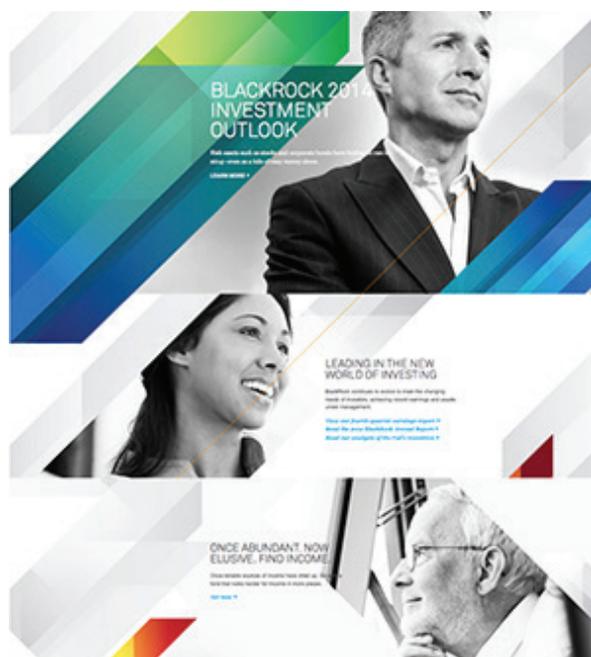
TD Ameritrade's website uses parallax scrolling to create a visually engaging user experience. See how the visuals are tied directly to the company's core audience. Lots of white space and what little copy there is utilizes different weights to draw attention to the main

themes. An interesting background keeps the design from being *too* white. But a design flaw is a lack of strong branding. This could be any number of brokers except for the little logo in the top left. Inner pages keep visuals but use traditional formats.

“A website is a living, breathing brand tool that needs to be cared for over time.”  
—Gavin Cooper, as told to Alina Wheeler



## BlackRock



BlackRock's website again focuses on its core audiences and seeks to engage them with vibrant visuals. Hooking the consumer with color, smart use of text and strategic links is what makes this site good.

“Engaging content and inviting interfaces have the potential to bring a brand to life.”  
—Alina Wheeler

## Brand Brief

Strong branding is at the core of our strategic recommendations for BATS. If the company has not already considered a brand brief, this can be an extremely helpful document for directing the thought process from the first discussion about rebranding to the unveiled final product.

“The brand brief is a foundational document that clearly articulates who we are and why we exist.”

—Matt Hames to Alina Wheeler

Brand brief components can include (source: *Designing Brand Identity*, Wheeler, 2013)

Core purpose	Key stakeholders	Key services
Brand vision	The big idea/brand essence	Similar organizations
Value proposition	Customer personas	Brand positioning
Audience segments	Brand attributes	Guiding principles/beliefs
Competitive advantage	Mission	Key markets

### BATS Brand Brief Examples

#### Big idea

Making markets better

#### Value proposition

BATS operates securities markets where investors big and small can invest and trade with confidence.

#### Core purpose

BATS exists to connect traders to investors using the fastest and most reliable technology available

#### Key stakeholders

Market makers  
Institutional investors  
Retail investors  
BATS employees  
Regulators  
Fund managers  
Broker dealers  
Traders  
Analysts  
Exchange operators

#### Similar organizations

NYSE Arca  
Nasdaq OMX

#### Key services

Member listings, market data, trading products, routing strategies, superior support and customer service

#### Core values

- Transparency
- Innovative technology
- Efficiency
- Effectiveness
- Quality
- Entrepreneurial spirit
- Fair pricing
- Customer service

#### Competitive Advantage

Superior pricing and rebates with the best technology

## Logo Inspiration

Another of our strategic recommendations includes considering a logo refresh, particularly due to the association with baseball that the current logo induces. Here are a few examples of fluid logos. Source: *Designing Brand Identity*, Alina Wheeler



(From left to right)  
Spectrum Health System  
Green Energy Reporter  
Darien Library

## Primary Research: One-on-One Interview

*Tom Taulli, blogger and financial adviser to startups as well as Forbes contributor  
2/9/14*

### Pre-IPOs

*Started out talking about his article Nasdaq Jumps into the Pre-IPO Game*

#### Do you expect NYSE to follow Nasdaq by building a pre-IPO platform

*Lots of competition between the two stock exchanges (NYSE and Nasdaq). If one does it the other follows; kind of like Pepsi and CocaCola, so I would not be surprised if NYSE does something like this. Especially since NYSE has been heavily focused in a bigger share of tech IPOs. This type of exchange is really built for tech companies because they issue lots of shares and equity to early stage employees because they need liquidity. The NYSE can offer services along those lines. Probably help them snag listings. And the business model may make some money, but it could be more of a loss leader, because at the end of the day, they just want to get more listings. And the pre Nasdaq might not have to be a profitable endeavor, as opposed to an independent company, like a SecondMarket who needs to have that be profitable. But yes, I wouldn't be surprised if they would come up with something.*

#### Pre-IPOs affecting the (tech) industry as a whole?

*First of all, the requirements for going public are a lot higher than they were before. Second, it is an expensive proposition for a company to go public. Oxley is pretty tough on companies, although the Job's Act has made it easier. Because of these things, companies are waiting longer to go public. All studies point to that and it may not be just regulation. It could be because it takes a while for a company to get to the point where you need the kind of things that institutional investors want: predictability, reputable business model, big market opportunities. All of these take time to develop. So a company like Facebook took eight years until it became public. Had it been the '90's, they would have possibly gone public in three years. What used to be three years is now 8-10 years. I have seen some tech companies that have been private for 15 years. If you are a tech company, and you are trying to attract top notch employees, you issue you them stock options, it is going to take you 10-15 years for them to get a return on it, that is not a good proposition. So the Pre-IPO markets are just natural phenomena that have emerged. Keep in mind, preemptive buying and selling shares on the secondary market has been around forever, but there hasn't been as much of a need for it until the last 10 years because of the changing dynamics of the market. And I also think the other thing that allowed it to happen is online marketplaces, new technologies, have made it easier for people to make an exchange and bring buyers and sellers together to market. There are other impacts of Pre-IPOs - for example, Square has had problems; they have really been tough on these type of trading because they don't want a competitor to buy shares. And there is still some unresolved securities issues, because a lot of these people don't have access to information about the company. Let's say you are an insider that has shares. You have access to insider information and you sell your shares to someone who doesn't have the same access and the shares fall in value. Is that some type of misrepresentation or fraud? So that is another issue that has been happening for a while. It just means that attorneys have more to make money off of at the end of the day. It's kind of the cost of doing business. But for the most part, the key thing here is the emergence of these new technologies, you know cloud computing, online marketplaces and the fact that it takes longer for companies to go public.*

## **Are there certain types of companies or sectors that the NYSE and Nasdaq struggle to provide a valued service when it comes to IPOs... any holes in their services?**

*I have talked to CEO's who listed on both from tech companies and non tech companies; I would say for the most part they were happy with the service they got, the help they received, how smooth the process was for both. Some will say, well I went to the NYSE because there is people on the floor. That might be true to some extent, but the Nasdaq also has this. It's not like the Nasdaq is run by a bunch of robots. They did get black eyed from Facebook, but that has kind of gone away, but people have forgotten about that. But it sounds like they have fixed that. That's an occupational risk, that could have just as easily happened with the NYSE. You know, just a big flub on a high profile IPO. And they probably lost Twitter for that reason. But I think that will go away. I have found in terms of reasons why the CEOs select one or the other. I had one where the company was a software provider and the NYSE was a large client of them. They almost had to go with the NYSE. I think having feet on the street, having offices in Silicon Valley, all that kind of stuff is important. At the end of the day, it comes down to finances, relationships, and there isn't a lot of difference between the two. There's been a lot of talk about the NYSE taking more market share. I think part of it was Facebook, but the other part is that the NYSE is saying we should go after these companies and the Nasdaq is finally getting some competition. I feel like Nasdaq was caught a little off guard. They thought they were the default option when it came to tech companies. You look at Nasdaq, they have done a lot of biotech IPOs. I believe that they will protect that market. They don't want that to go away, that is a specialized area. I think the Nasdaq regrets the whole Facebook thing, and were too slick at the wheel. Because they really did have that franchise. They really put that in jeopardy.*

## **What's your perception of BATS Global Markets?**

*Perceived strengths: They are really focused on cutting edge technology and I think a lot of people that they have there are engineers. That would probably be attractive to a lot of tech companies because their culture is very similar. And if the BATS becomes a listing platform, because now they are a trading platform, having low costs and efficiencies and liquidity are always important. The challenge for them is that they tried an IPO and it failed, their own. And that is a tough one to get over. And so they will have to prove themselves. And it shows the listing business is tough, it really is. And the Nasdaq and NYSE have been doing it for decades. Jumping into that is tough. I completely understand how it is not easy to do that. And it may be that they find a niche in the market. Or they move into the Pre-IPO area, where it is not an IPO and that gets them a bit of a foothold and credibility with these CEOs and Senior managers that over time, they might consider BATS to pull off an IPO.*

**Do you believe BATS could benefit from getting into a niche market? What niche market would you look at first for BATS?**

*I would look at what SecondMarket has done and go after that. I think they are probably a sitting duck. And BATS probably has better efficiencies and technology. They can leverage their system and cross use other areas. I think that SecondMarket's done a lot with that. There's probably all kinds of different categories you can look at, for example – traded equities or more of a robust pre-IPO market, which would put a lot of pressure on SecondMarket. And for a company like Nasdaq, they struggle with it I am sure. You are allowed more mistakes in the earlier innings than the later innings. If I were them, give it a shot and start and make mistakes, get the kinks out of the system. So yeah, I think the SecondMarket is probably a good playbook of what they could start with. And they are based in Kansas City? I have been to both NYSE and Nasdaq. The NYSE is very old school. I have been to the offices, and said to myself, this is where JP Morgan must have hung out. Nasdaq is more cutting edge. I imagine BATS being a bunch of computers and a bunch of guys computing away.*

**(Talked about what we saw on our tour of BATS.)**

*Because of the culture and the DNA, I'll bet it (BATS) will get the some traction in the Valley. That's another thing, you have to set up an office in the Valley. You have to set up there. It's a very personal business and they love to talk the talk, talk technology. But you have to be there, otherwise, you will not be on their radar screen. It's kind of ironic, because the Valley is all virtual, but the secret to having success in the valley, is these really old style relationships that evolve over time. So it kind of goes against what you would think would be the case.*

**In regards to BATS, are there any other strategies or ideas you would recommend?**

*Every day there is the an event in Silicon Valley. If they can't get on the panel, maybe sponsor some events. That is a great way to start getting some market share in the Valley. So they might not be an exchange now, but they can kind of feel it. Part of it is just understanding what is going on out there, and the other is building a reputation, a brand, in Silicon Valley. There is stuff going on in New York, but still, the Valley is where everything is going on at the end of the day. It's all about these events, these conferences. It seems like in one day, there are 20 conferences. And they are all talking about money, about new alternatives of ways to finance these companies. There's thousands of entrepreneurs trying to raise capital on any given day. That is the top of the line topic for any of these guys. So any way you can be a part of that conversation, I think that helps you out.*

**Is there anyone else that you know would be open to talking to me?**

*You may want to talk to an entrepreneur. Someone who is thinking about these secondary purchases. Might be interesting to get a viewpoint from the entrepreneur standpoint.*

## Primary Research: One-on-One Interview

*Jim Bittman, Chicago Board Options Exchange director of program development  
2/13/14*

### **What's your perception of BATS Global Markets?**

*I know that they are new entry. They are trying some different pricing strategy and that they are giving their data away for free. I don't know the history on when they started. I don't really know much just a new player in the options area. I don't have an opinion or view. I don't know if they are growing or what market share they have. I don't focus on this area.*

*The question is does that matter. Who is the exchanges customer and the exchanges customer is the brokerage firms and I don't know if there are 20 or 50, but if you call on those brokerage firms and you let all of those brokerage firms know why they should do business with you then that's all that matters. It doesn't matter if Joe Shmoe customer of XYZ brokerage has ever heard of BATS or not if the brokerage firms understands why it's their advantage to do business with BATS. Joe Shmoe doesn't really care as long as he is filled on his order with a fair price and a low commission. So the fact that I don't understand BATS is that I'm not really their customer or competitor.*

### **BATS potential to list IPOs? (He acknowledged he was aware of the failed IPO)**

*Let's say on day one, I do not trade, for example, Walmart stock and on day two, I add Walmart stock to be traded at my exchange. How is that any different from an IPO, where yesterday I didn't trade the stock and today I do trade the stock. What's the big difference? On surface, not much different, day one I'm not trading it on day two, I am. An IPO is a little different, if I add Walmart to my stock exchange today, and then yesterday there were a whole bunch of stock exchanges that were trading Walmart and today I am a newcomer and I am following the lead of all the other exchanges, ok. However, if there is an IPO nobody was doing anything yesterday and today, there is no one for me to follow. I'm not a small participant that's new. I'm it. If there is a huge demand then I need a market maker with capital and access to shares to handle the demand. The problem seems to me the problem is not the exchange, the problem is having a market maker with sufficient capital and experience to create what they call a fair and orderly market. If you're going to advertise that you're in the IPO business, you have to say we have market makers with enough capital and experience to handle IPOs. So you have to go to somebody like Goldman Sachs who clearly can do it and Morgan Stanley. You got to say hey, when you do an IPO, we want you to do it at our exchange and the reason you would do it at our exchange is A,B,C,D,E. In my experience in today's modern world there's only two things: A and B. A: is there is adequate technology, and B: is the lowest cost.*

*When Facebook had problems on Nasdaq, it wasn't the Nasdaq's fault per se, the underwriter couldn't sell all the shares and all the market makers knew it and they weren't going to do it. So they weren't going to make a market because they were scared to death that all this stuff would come out on the market and they'd be stuck holding the bag. Then you get the PR, the politics, and all that.*

### How could BATS promote their own IPO listing?

*(BATS needs to) Stress their profile by stressing the things that they are good at and in this business that's increasing market share by having proprietary products and having good technology. It's being innovative so in order to raise the public profile you have to stress how dynamic the organization is. And whatever it is that you stress has to be the dynamisms of the company. To me exchanges are just computers. Market makers support those computers at least at an options exchange and to a stock exchange; I think a specialist supports them. These new electronic exchanges don't even really have specialist they just rely on the market at least in the stock exchange part. Payment for order flow and something called maker taker. They could stress whatever their market model is its innovative and gaining market share. Back in the 90s the Nasdaq ran a advertising slogan and campaign in which they went Nasdaq, the latest technology and their slogan was, "The market for the next hundred years." Their point was, we are innovative as we are doing it electronically and we are running way ahead of the old stogie NYSE where the insiders and the specialist are, you know keeping the big profits for themselves and squeezing you out. Whether that was true is a different issue. That was their marketing campaign, the exchange for the next hundred years.*

*So for BATS to increase their profile, need to do the same thing. They have to say we are the future. We have a market model that is going to work. We are going to take over the world concept. They can't just say we are the thirteenth exchange on the block and we are going to work hard. They have to come up with some concept that grabs people's imagination and that concept has to be based on some aspect of reality. The Nasdaq really was technology different from the NYSE. Now whether or not they were any of the other things that is debatable. But their concepts were based on the reality that their electronic system was different from the NYSE. So at BATS you have to come up with a slogan that is catchy that is based in reality and strikes a chord with the people. If that were easy to do, I'd already done it, I'd be rich and retired, and you wouldn't be talking to me. I mean, I'm not suggesting what you need to do. BATS ... what's different, what's unique, what's your market model. How does it fit into the future growth? Why is this exchange needed? What are you doing differently? What can capture the imagination of the public? There's probably some little aspect about the exchange that's lying right in front of you and just nobody can see it including me or the management of the exchange. It's probably there. Fact that it's in the middle of the country might mean that its milliseconds ahead, I'm reaching, I have no idea. I mean that's what you have to do.*

## Primary Research: One-on-One Interview

*Thadd Hale, Chief Operating Officer and co-owner of eDepoze (a litigation software that enables electronic deposition using the iPad and electronic exhibits)*

*3/16/14*

### **The goal for eDopoze:**

*I think the goal for most startups is to sell the company at some point. When you look around, you see many successful people selling their businesses. Very few companies end up going public. Our goal is to create the best company we can in the space and usually along with that comes the opportunity to sell. Two reasons that make it tough to go public are, you need to have a substantial sized company. You have to go to a certain size and then, second, you deal with so many regulations. You deal with “a lot” of regulations when publicly owned. Those are the primary reasons going public is so difficult.*

### **Crowdfunding**

*Didn't really consider using a crowdfunding platform, I can't tell you why exactly. We are such a niche business that people are not really familiar with it or understand our business. A lot the Kickstarter incubators are dealing with consumer products people want or it is used to make a feature film. We felt going the more traditional route was better for us.*

### **Silicon Valley Experience with litigation support providers**

*Most people think of Silicon Valley as high tech and IPOs. My experience wasn't really with a high tech company. We were a business services company. Some of the biggest legal market companies are typically in the big cities in the Silicon Valley area. We were able to produce a strong business in that area because of the other high tech companies in that area.*

### **Recommendations for BATS to gain listings**

*BATS needs to get into the VCs and private equity groups. They need to have a Rolodex there (Silicon Valley) because those are typically the groups that are taking companies public. Silicon Valley, hard to do business there when you don't have brick and mortar in the area. You definitely need to have a presence. Maybe you can get past that if you're one of the best in the world at what you do. Getting in, getting their Rolodex, and meeting with different VC groups and private equity groups that are there would be beneficial. Of course, they want those companies to go public as well. The VC groups and private equity groups end up making the money.*

## Primary Research: One-on-One Interview

*Nate Olson, program specialist in entrepreneurship at Kauffman Foundation and coordinator of 1 Million Cups  
2/26/14*

1 Million Cups started on April 10, 2012. From that first meeting of 12 people in Kansas City, the weekly meeting of entrepreneurs has grown to more than 300 attendees. As of February 2014, there are now 1 Million Cups groups meeting in 30 cities, primarily in the Midwest but also west to Nevada and California. Kauffman Foundation will have 40 cities on board by April.

1 Million Cups right now it focusing on what Olson calls the “second tier” of cities likely to support entrepreneurs. These include Orlando, Tampa Bay, Houston, Tulsa, Denver, Provo and San Diego. Typically these are cities with anywhere from 250,000 in population to 4 million people, but 2 million population is what Olson calls the “sweet spot” for second tier cities. Nate said there are about 120 markets that fall into the “second tier” category. He said the top tier cities that support entrepreneurs (or the top 10) are the cities you hear about startups in all the time – San Francisco, Boston, New York City, Austin, Miami, Portland, etc.

In explaining how 1 Million Cups came about, Olson said it stems back to February 2012 when he was hired by the Kauffman Foundation to develop for KC entrepreneurship opportunities. He found at the time that Kansas City had many early stage startups with high potential and with equally high risk (because 90 percent of all startups will fail in the first 3 to five years) but the local network was very fragmented. No one knew about each other in Kansas City, and if groups did get together it was usually once a month after hours for drinks. Nate said he is a “connector” by nature so he started to think of ways to build a productive environment to help entrepreneurs connect and a bar was not a place to do that. They usually ended up sharing bad experience over drinks rather than sharing what was working and successful.

So Olson came up with the idea of getting entrepreneurs together on a regular basis, not after hours, led by entrepreneurs to help entrepreneurs. The problem was that the K.C. entrepreneur community was fragmented and he felt that how can one help people if you don't know who they are. Olson took an idea that he first read about in a blog post out of Chicago that talked about the potential of people who come together over coffee to share ideas. So he proposed 1 Million Cups as an event for entrepreneurs to come together to talk about business, share individual stories and why each startup is important as well as tell the community what entrepreneurs need to succeed.

So the 12 people who showed up for the initial meeting quickly grew to 120 people six months later. It was about that time that Olson's boss noticed the interest in the group and asked Olson if he could replicate it and if he could scale it. 's answer to both questions was yes. He said it was scalable only if entrepreneurs ran it in other cities because he couldn't do the organizing for all the new cities. So in November of 2012, 1 Million Cups expanded beyond Kansas City to a group in Des Moines. Nate said 2013 was a crazy year where 1 Million Cups launched 21 cities in 10 months.

In each city, community entrepreneur leaders organize the 1 Million Cups events. Kauffman Foundation supports them with a community toolkit in the form of educational and promotional resources. Kauffman currently

# Appendix

works with 110 community organizers. Olson said there have been 80 cities apply for 1 Million Cups events and Kauffman Foundation is still trying to get connected with these communities.

In a nutshell, Olson said 1 Million Cups is a weekly meeting throughout communities in the U.S. where entrepreneurs engage and education other entrepreneurs in the community.

When asked about financial needs of entrepreneurs/startups, Olson said that all early stage business owners need customers first and foremost. It is only after the customers start coming in that the startups need financing to develop an infrastructure to support the customer demand. As companies grow quickly because they've hit the market just right and customers are increasing, they often fall into trouble when they don't have the finances or infrastructure in place for the scale needed for demand. That's why it is important for entrepreneurs to make sure they have the infrastructure plan in place to respond to increases in demand as that occurs.

How did he think BATS could help in preparing entrepreneurs to ready the infrastructure? He mentioned crowdfunding, but said entrepreneurs were in kind of in a holding pattern with it right now. He said there currently exists about 500 crowdfunding platforms that are providing early stage traction or pre-sales to entrepreneurs who want to or need to demonstrate to others that the company is serious about the product or that there is consumer interest in the product. Olson said crowdfunding also assists entrepreneurs in that it doesn't cost them much of anything to get involved, other than the time it takes to think about and develop a business and sales plan in a way to convince people to take interest in the company's products or services. Crowdfunding proposals (such as the ones done on popular platforms like Kickstarter) demonstrate to interested people the rationale and expectation of a company in the absence of any historical productivity data from the startup.

Then there is the whole area of convertible debt. He said the SEC is trying to provide some guidance for non-accredited investors looking to invest in startup companies that show high potential/high risk. He said crowdfunding is good entrepreneurs because if they can demonstrate early stage traction with pre-orders, then the company might not need to immediately give up equity to raise capital.

Olson noted that he attended a crowdfunding lecture recently that pointed out that this type of investing isn't really new. In some forms, this type of investing was available in the U.S. in the early 1900s.

Overall, Olson said that when it comes to crowdfunding, most entrepreneurs get the benefits from this form of investing through pre sales.

Olson suggested the group talk to Bryan Azorsky with CrowdfundingKC for more background on crowdfunding opportunities for entrepreneurs.

The conversation ended with Olson agreeing to help our research team get in front of 1 Million Cups attendees to participate in a survey. He liked the idea of BATS Global Markets getting involved with startups as a way for entrepreneurs to help entrepreneurs.

## Primary Research: One-on-One Interview

*Jared Konczal, senior analyst in research and policy at Kauffman Foundation*  
2/25/14

When asked if the JOBS Act has helped or hurt startups, particularly in the area of small businesses going public as a way to raise capital, Konczal's observation is that the JOBS Act really hasn't been driving IPOs or that it will. Rather, he cited Jay Ritter, leading IPO researcher in Florida, saying that the decline in IPOs after the tech bubble in the past decade and any movement in IPOs we've seen recently really shouldn't be attributed to Sarbanes Oxley (for the decline) or the JOBS Act (for the increase). Konczal believes as Ritter does: the decline in the tech bubble and the slight increase in recent years is likely reflective of structural changes in the economy.

Konczal also said he agrees with Ritter is saying that small firms desire to be acquired or to be involved in a merger rather than go public in this economy because of companies of any size are racing to show growth. Konczal said the small companies don't have the economies of scale to even have a chance at going public so they opt more for the ideas of mergers and acquisitions.

Konczal went on to say that while the JOBS Act included initial provisions that make it easier for small businesses to prepare for an IPO and even solicit investors to some degree, the SEC has implemented rules since the JOBS Act was signed that actually make it more restrictive for small businesses to go public. That, he said, is just one example of a deterrent for small companies to go public.

He also said that in the overall scheme of things, only a small fraction of the 500,000 new employer firms created each year (a company that has at least one employee besides the owner) ever go public so the IPO market probably shouldn't be too attractive to exchanges like BATS.

The following links are to documents that include some of Ritter's comments and beliefs that Konczal referred to.  
<http://bear.warrington.ufl.edu/ritter/Economies%20of%20scope%20and%20IPO%20activity%20in%20Europe.pdf>  
[http://bear.warrington.ufl.edu/ritter/Reenergizing\\_September2013.pdf](http://bear.warrington.ufl.edu/ritter/Reenergizing_September2013.pdf)

Konczal also provided a Kauffman white paper regarding the Kauffman Firm Survey, conducted annually to 2011 on about 5,000 firms that began business in 2004.  
<http://rfs.oxfordjournals.org/content/27/1/153>

## Primary Research: One-on-One Interview

*Ryan Weber, president of KCnext – The Technology Council of Kansas City  
2/25/13 and 2/28/13*

According to the company website ([www.kcnext.com](http://www.kcnext.com)), KCnext – The Technology Council of Greater Kansas City is committed to growing the existing base of technology firms, recruiting and attracting technology companies, aggregating and promoting regional IT assets and providing peer interaction and industry news. By focusing on key industry priorities, KCnext works to connect, promote and support the KC region's tech industry.

Weber explained that crowdfunding could be the way small businesses get people interested in their companies. That is because right now the big investment banks and institutional investors aren't eager to take the risk with small companies because the small companies don't have much of a profitability record. Crowdfunding, however, gives smaller investors (the non-accredited investor who has under \$1 million in net worth or made under \$200,000 annually in the past two years) an opportunity to invest in startup companies.

The crowdfunding landscape is unsettled, though, because the government is trying to decide what kind of regulations and limitations to place on crowdfunding to protect the “uneducated on risks” non-accredited investors.

Crowdfunding is capturing a lot of attention of the general investing public and entrepreneurs today, primarily because of the popularity of Kickstarter. Investors are interested in crowdfunding platforms for equity. Crowdfunding gives entrepreneurs/startups clout with investment banks and other investors as well as providing market exposure for generating customers.

Regarding the financial education levels of the general investing public, Weber said among the best practices in the industry is to provide good education for anyone considering or currently investing in the markets. While he agrees that investors today have a level of access to financial information they never had before, but that opens the door up for scams or misinformation from those wanting to take advantage of the general investing public. “Misinformation exists today, and it is way too easy for that information to go viral with adverse affects on the investing public,” Weber said. “That is why it is important for the government to play a role in protecting the investing public from harm at any level of investment.”

Weber noted that strictly raising capital doesn't solve all the problems entrepreneurs face; building relationship for current and future business dealings is important, too. Crowdfunding and working with angel investors/venture capitalists is a source of viable business relationships.

“Crowdfunding is an opportunity for those entrepreneurs at the entry level of operations or those that need to raise a couple \$1,000 to get through the development stage of their business,” he said. “An entrepreneur's relationship with angel investors and venture capitalists has another purpose and value.”

## Primary Research: One-on-One Interview

**Rachael Qualls, CEO, Venture360**

**2/27/14**

According to the company website (venture360.co), Venture360 was developed for investors and entrepreneurs by an investor and entrepreneur – Rachael Qualls. She is the founder and former chief executive officer of the Angel Capital Group, where she began development of Venture360 to meet the growing demands of managing one of the largest Angel groups in the country. The Angel Capital Group has multiple locations nationwide, more than 200 investors and a growing portfolio of more than 35 companies. Having sat on both sides of the table (as both investor and entrepreneur), Qualls developed Venture360 to meet the unique needs of both these diverse groups.

Qualls noted that there are tremendous inefficiencies in the financial markets that stems from regulations dating back to the 1930s. “These regulations are an outdated way of protecting people from the potential risks associated with investing,” she said. “People then didn’t have access to information in a way they do today thanks to the Internet. These regulations have inhibited the way entrepreneurs and startups raise capital.”

According to Qualls, the most important thing exchanges can do for entrepreneurs/startups is to provide an auction for liquidity. “It takes years and years for large investment banks to get out of the deals when a company goes private,” she said, noting that if better opportunities for liquidity exist, then there would be more opportunities in the secondary market.

“Entrepreneurs and startups also are handcuffed by current restrictive legislation and regulations,” Qualls said.

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## Primary Research: One-on-One Interview

**Jackie Berra, graphic designer, Kansas Athletics Inc.**

**3/15/2014**

- My first perception is that it is a company that sells baseball bats because of the name and the diamond. I associate the diamond with a baseball diamond.
- I understand the use of the green because it is a stock exchange dealing with money.
- It should be specific that it is a stock exchange. That needs to be clear.
- It is not a particularly modern design. Modern logos are usually flatter.  
The drop shadows and boxed letters are not associated with a modern design.
- Overall the logo could be more crisp and clean.

## Primary Research: One-on-One Interview

**Marilyn Rausch, visual design instructor at the University of Kansas, branding and graphic design consultant**  
3/28/14

There's no story about what they do. There's no brand. The logo [is] interesting.

Obviously they're doing well, and whatever is working for them is working. There is not much information on the website, which I don't know that it necessarily has to, but it's not a very good public face.

**(Regarding batstrading.com):** This is pretty clean and simple. It's good that they have different [websites for different audiences]. (Marilyn also says that she agrees that this site works well for its audience of traders/members)

**(Regarding New York Stock Exchange's website):** This is my point. There is a story. Here's the deal—this is all very conceptual, very conceptual with what's happening. And again, they're tying language with what's going on visually, it's really nicely done. It's just very simple. I love it. See, there's something really nice about that.

**(Regarding NYSE Euronext's logo):** The idea of the volatility of the market. You see that visually. You get that that's tied to [the brand].

**(Regarding bats.com/batsglobalmarkets.com):** They're missing an opportunity to tell a story. That's the main thing. There's no story here. Making markets better, as a trading partner, is a statement, but how do we do that pictorially? Show me that in pictures. What do you mean by that? That would be a great first slide. Then what other things could they do pictorially to make that happen? The other thing is, I get the idea of a baseball diamond with that (the logo). The logo doesn't really say anything. When you take that on the the letter and turn it into a diamond, and you take the word "bat," immediately our brains go, "Oh, it must be about baseball."

**BATS stands for what? ... (then looking at FAQ page)** It's very text-heavy, it's driven by text, and it all has the same weight, which means it's hard for me to distinguish what's really important here. I mean, I can wade my way through this if I'm really searching for the information, but it is not very engaging. I would say that would be the biggest thing. And even if this stuff stays the same, if they could think about, are they open to changing the color of the logo? The look of the logo to refresh it?

I would definitely think about a refresh on the logo. It could be different shades of green, like little piles of money. Even if you do some different things, (looking at logos in *Designing Brand Identity*), look at this, this fluidity, even if you did this for the "A" you would get rid of the baseball theme, you know? To me that would be the main thing, that there is a strong association that's somewhat negative to them.

**(Marilyn showed Two West Advisors' website, twowestadvisors.com):** They're also a financial services firm. My son did this site for them. Look at this. They tell their story really well. You click on these, you can touch these and it's interactive, it becomes an interactive graphic. What does BATS do? Can you tell me in a very simple way, in an interactive way, what do you do? Click "Our Team" (page on site) and then "Our Story" (another page on site). It has a personality, it gives you a snapshot of the people, it becomes very interesting, and it's all done with little roll-overs (back on home page). See how this is the same information but visually it's much more interesting to engage with? So this could be a good example for what BATS could do. (16:18)

## Anonymous comments about BATS Global Markets

### From company leaders within the financial markets industry:

- *“One opportunity for equities exchanges wanting to connect with the general investing public is to concentrate on building relationships. To reach the general investing public, exchanges should focus on relationships with service providers who can facilitate indirect connections with high net worth investors. If BATS wants to get the word out more, the company needs to tap into service providers of investment banks. These companies already have relationships with the general investing public.”*
- *“BATS shouldn’t wait to court a company that might be wanting to go public. BATS needs to start way earlier in the company’s business life cycle. You can’t be too early when it comes to building relationship. Goldman Sachs didn’t become a leading investment bank overnight. It continues to hold that position because it built the business up with relationships the company’s business segments have with service providers in the early stages of a startup.”*
- *“Because BATS is probably bound by certain regulations as to how it can and can’t solicit listings, it is surely challenging so PR/marketing probably isn’t a big deal for the company. But there are ways BATS can still improve its brand name and image – one is promoting and marketing the company’s industry expertise and to position BATS leaders as thought leaders in a competitive environment. Therefore, BATS should look at becoming more involved not only at industry association events but also at related industry association events, such as IT or data conferences and trade shows.”*
- *“Three phrases that describe BATS: high-level execution; very innovative; successful outliers. This is a company deeply rooted in Midwest values from the CEO down to the last employee and it is evident in the company culture.”*
- *“Exchange funds (if BATS doesn’t already work in this area) would be a good way for the company to connect to retail investors. If it does, then BATS should concentrate on that business segment more.”*
- *“If I didn’t live in Kansas City and work in the financial industry, I don’t know if I would know what BATS is or does.”*
- *“A good thing for BATS to do is strategically invest in business opportunities that service the private market because private companies could eventually go public.”*
- *“Crowdfunding could be a good niche market fit for BATS Global Markets. BATS is an exchange that already has a process in place that matches investors with investment opportunities, why not look at offering entrepreneurs, startups and private companies a way to connect with investors other than the large investment banks and institutional investors? Based on its past history for public equity, BATS could become one of the premier trading exchanges for private equity.”*
- *“While NYSE in recent months has indicated its plans to become more involved in the exchange of shares by private companies, it is still not too late for BATS to make a move in this area. Sometimes it is good not to be the first one to the market. Learning from someone’s mistakes could prove beneficial. BATS is more lean than the other exchanges so that could help in structuring an exchange for trading shares of private companies.”*

## **From financial writers from major media outlets:**

- *“BATS Global Markets is viewed as a highly automated exchange. Words that describe BATS include efficient, tech savvy, customer friendly and responsive. BATS is a very ‘modern’ company.”*
- *“BATS was created as a result of some regulations so the company founders saw an opportunity with the changes and took advantage of them.”*
- *“When there is criticism of BATS, it is because people think what BATS is doing is leading to a more complex market and that BATS isn’t thinking about what the public needs. That is an unfortunate misconception.”*
- *“BATS currently operates in a shrinking industry and for the company to continue to find success it needs to find new markets around the world and consider new asset areas to work in.”*
- *“When it comes to financial information, BATS has a large volume of market data available and the company makes that information much more accessible than other exchanges. The information on the company’s website is easily digestible and one can access it whenever needed. I think this service stems from the company understanding that it operates in a complicated industry and BATS wants to show transparency.”*
- *“Most members of the general public look at BATS as a complicated, computer entity and they don’t have any desire to learn more about the company. BATS doesn’t have the top-of-mind name recognition as NYSE or Nasdaq, but that will come in time as BATS strives to offers products and services that meet needs of the general investing public.”*

## 1 Million Cups Digital Version



1. Age:		Response Percent	Response Count
Under 24		8.0%	4
25-34		26.0%	13
35-44		14.0%	7
45-54		32.0%	16
55 or older		20.0%	10
		<b>answered question</b>	<b>50</b>
		<b>skipped question</b>	<b>0</b>

2. Gender?		Response Percent	Response Count
Female		36.0%	18
Male		64.0%	32
		<b>answered question</b>	<b>50</b>
		<b>skipped question</b>	<b>0</b>

3. In what zipcode do you currently reside?		Response Count
		49
		<b>answered question</b>
		<b>49</b>
		<b>skipped question</b>
		<b>1</b>

## 4. Education (chose highest attainment level):

		Response Percent	Response Count
High school graduate or less		0.0%	0
Tech/trade/vocational degree		0.0%	0
Some college, no degree		8.0%	4
Associate's degree		8.0%	4
<b>Bachelor's degree</b>		<b>44.0%</b>	<b>22</b>
Some graduate work, no degree		4.0%	2
Master's degree		30.0%	15
Professional/doctorate degree		6.0%	3
		<b>answered question</b>	<b>50</b>
		<b>skipped question</b>	<b>0</b>

## 5. Mark all that apply to you

		Response Percent	Response Count
Business owner or Co-owner		63.8%	30
Business founder or Co-founder		57.4%	27
Venture capitalist		2.1%	1
Angel investor		6.4%	3
Investment bank representative		0.0%	0
Hedge fund manager		0.0%	0
Aspiring entrepreneur		44.7%	21
	Other (please specify)		6
<b>answered question</b>			<b>47</b>
<b>skipped question</b>			<b>3</b>

# Appendix

## 6. Which of these online sources do you read? Mark all that apply.

		Response Percent	Response Count
Entrepreneur Inc.		37.1%	13
Fast Company		22.9%	8
<b>KC Business Journal</b>		<b>62.9%</b>	<b>22</b>
Seeking Alpha		8.6%	3
Silicon Prairie News		54.3%	19
Venture Beat		14.3%	5
	Other (please specify)		10
<b>answered question</b>			<b>35</b>
<b>skipped question</b>			<b>15</b>

## 7. Which of these print sources do you read? Mark all that apply.

		Response Percent	Response Count
Entrepreneur Inc.		28.0%	7
Fast Company		24.0%	6
<b>KC Business Journal</b>		<b>64.0%</b>	<b>16</b>
New York Times		32.0%	8
Wall Street Journal		52.0%	13
	Other (please specify)		6
<b>answered question</b>			<b>25</b>
<b>skipped question</b>			<b>25</b>

### 8. What TV/Broadcast programs do you watch? Mark all that apply.

		Response Percent	Response Count
Closing Bell		21.4%	6
Mad Money w/ Jim Cramer		28.6%	8
<b>Shark Tank</b>		<b>85.7%</b>	<b>24</b>
Squawk Box		21.4%	6
Other (please specify)			4
<b>answered question</b>			<b>28</b>
<b>skipped question</b>			<b>22</b>

### 9. Mark all that apply to you in regard to crowdfunding as a source of revenue for your business:

		Response Percent	Response Count
I've used crowdfunding		9.3%	4
I'm planning to use crowdfunding in the future		16.3%	7
I'm interested in crowdfunding		20.9%	9
No, I'm not interested in crowdfunding		20.9%	9
<b>Crowdfunding does not apply to my line of work</b>		<b>27.9%</b>	<b>12</b>
I'm not familiar with crowdfunding		18.6%	8
<b>answered question</b>			<b>43</b>
<b>skipped question</b>			<b>7</b>

## 10. Ultimately, what's the goal for your business or businesses?

		Response Percent	Response Count	
Go public with my business or businesses		2.4%	1	
Sell my business or businesses		9.5%	4	
<b>Remain private</b>		<b>33.3%</b>	<b>14</b>	
Seek acquisition or merger		9.5%	4	
Undecided		23.8%	10	
This question does not apply to my line of work		21.4%	9	
	Other (please specify)		1	
			<b>answered question</b>	<b>42</b>
			<b>skipped question</b>	<b>8</b>

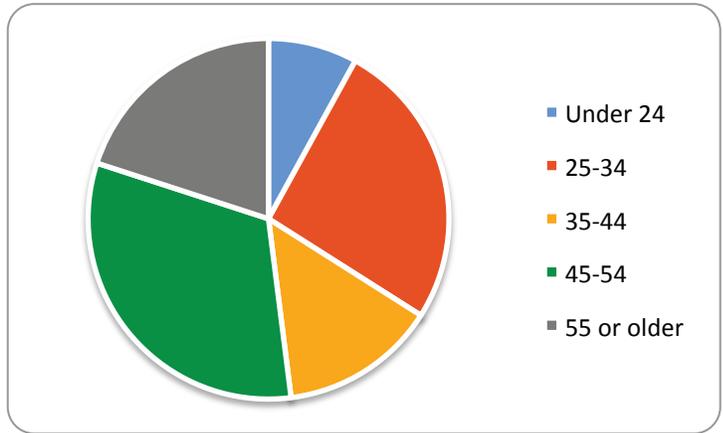
## 11. What's your familiarity with the following exchanges? Mark the box that best describes your familiarity for each exchange:

	Very Familiar	Somewhat Familiar	Slightly Familiar	Not Familiar	Rating Count	
BATS Global Markets	4.9% (2)	9.8% (4)	24.4% (10)	<b>61.0% (25)</b>	41	
Direct Edge	0.0% (0)	0.0% (0)	5.0% (2)	<b>95.0% (38)</b>	40	
NASDAQ	<b>51.1% (23)</b>	24.4% (11)	11.1% (5)	13.3% (6)	45	
New York Stock Exchange (NYSE)	<b>52.2% (24)</b>	23.9% (11)	10.9% (5)	13.0% (6)	46	
					<b>answered question</b>	<b>46</b>
					<b>skipped question</b>	<b>4</b>

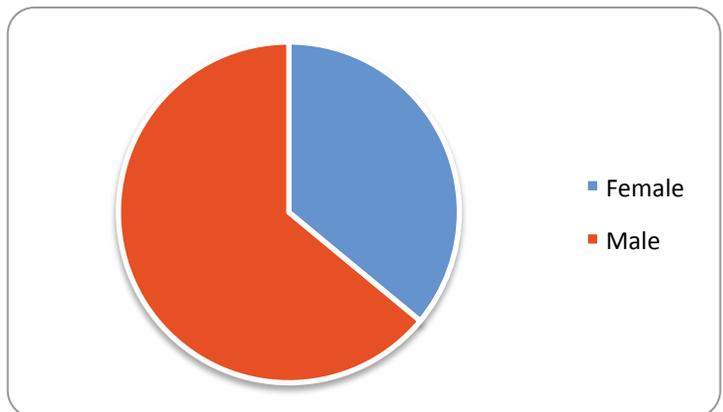
## 12. Please list a word or short phrase that you associate with the following exchanges:

		Response Percent	Response Count
BATS Global Markets		53.8%	14
Direct Edge		34.6%	9
NASDAQ		88.5%	23
New York Stock Exchange (NYSE)		100.0%	26
		<b>answered question</b>	<b>26</b>
		<b>skipped question</b>	<b>24</b>

1 Million Cups Digital Version		
Age:		
Answer Options	Response Percent	Response Count
Under 24	8.0%	4
25-34	26.0%	13
35-44	14.0%	7
45-54	32.0%	16
55 or older	20.0%	10
<b>answered question</b>		<b>50</b>
<b>skipped question</b>		<b>0</b>



Gender?		
Answer Options	Response Percent	Response Count
Female	36.0%	18
Male	64.0%	32
<b>answered question</b>		<b>50</b>
<b>skipped question</b>		<b>0</b>

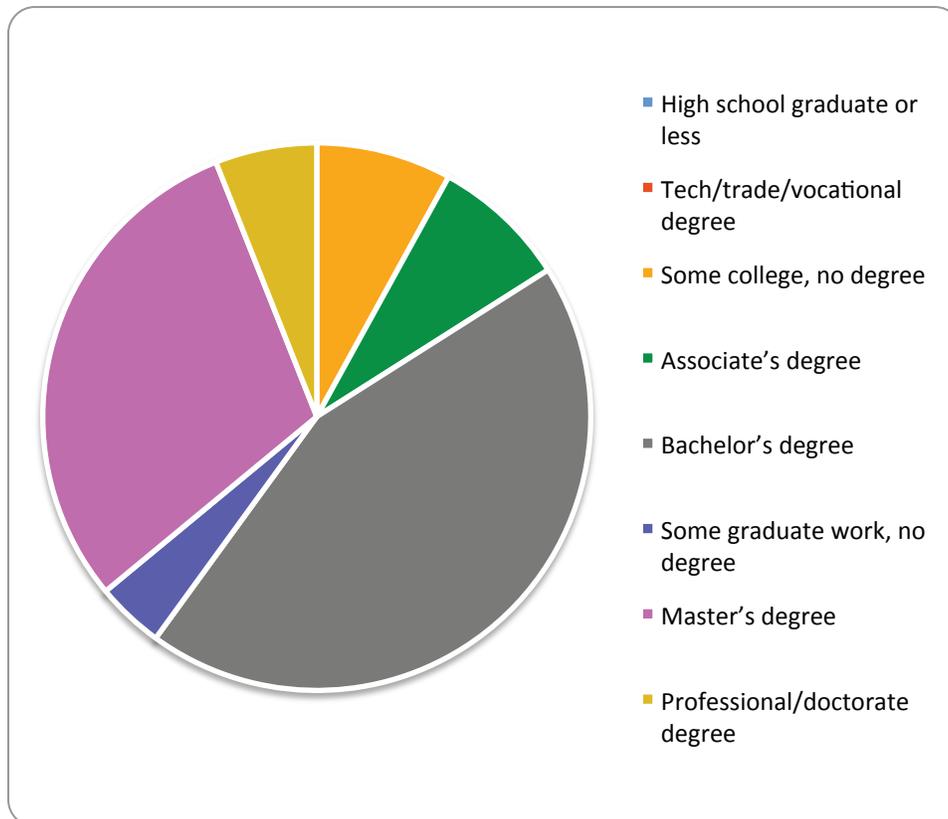


**In what zipcode do you currently reside?**

Answer Options	Response Count
	49
<i>answered question</i>	<b>49</b>
<i>skipped question</i>	<b>1</b>

**Education (chose highest attainment level):**

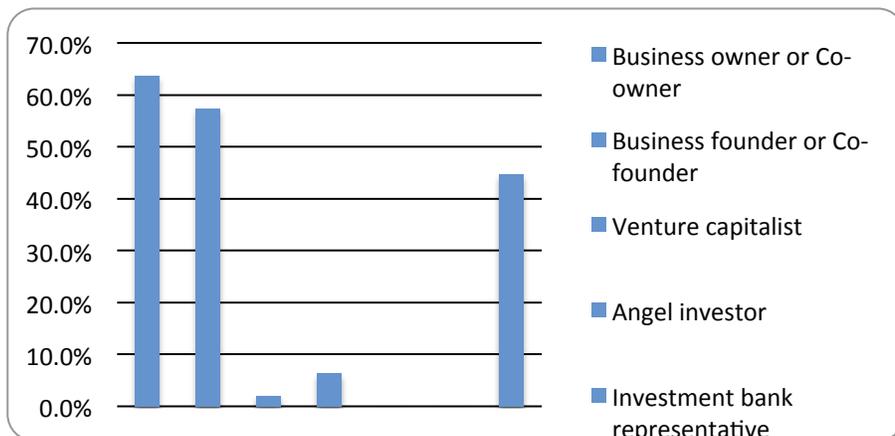
Answer Options	Response Percent	Response Count
High school graduate or less	0.0%	0
Tech/trade/vocational degree	0.0%	0
Some college, no degree	8.0%	4
Associate's degree	8.0%	4
Bachelor's degree	44.0%	22
Some graduate work, no degree	4.0%	2
Master's degree	30.0%	15
Professional/doctorate	6.0%	3
<i>answered question</i>		<b>50</b>
<i>skipped question</i>		<b>0</b>



# Appendix

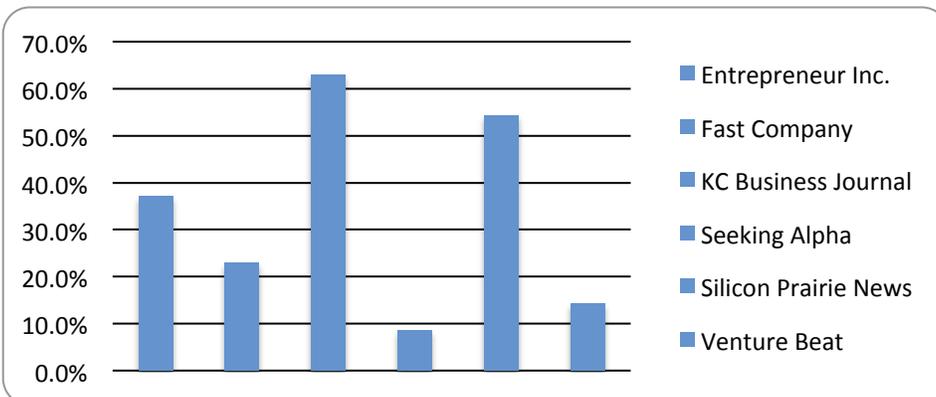
**Mark all that apply to you**

Answer Options	Response Percent	Response Count
Business owner or Co-owner	63.8%	30
Business founder or Co-founder	57.4%	27
Venture capitalist	2.1%	1
Angel investor	6.4%	3
Investment bank	0.0%	0
Hedge fund manager	0.0%	0
Aspiring entrepreneur	44.7%	21
Other (please specify)		6
<b>answered question</b>		<b>47</b>
<b>skipped question</b>		<b>3</b>



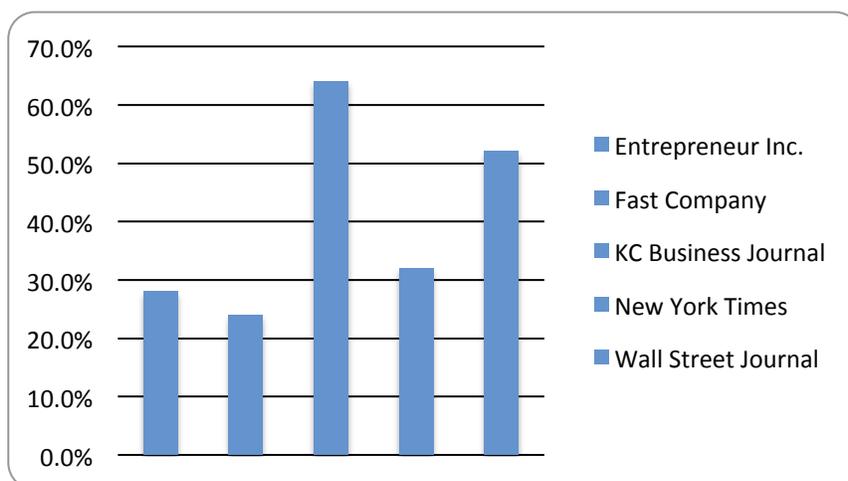
**Which of these online sources do you read? Mark all that apply.**

Answer Options	Response Percent	Response Count
Entrepreneur Inc.	37.1%	13
Fast Company	22.9%	8
KC Business Journal	62.9%	22
Seeking Alpha	8.6%	3
Silicon Prairie News	54.3%	19
Venture Beat	14.3%	5
Other (please specify)		10
<b>answered question</b>		<b>35</b>
<b>skipped question</b>		<b>15</b>



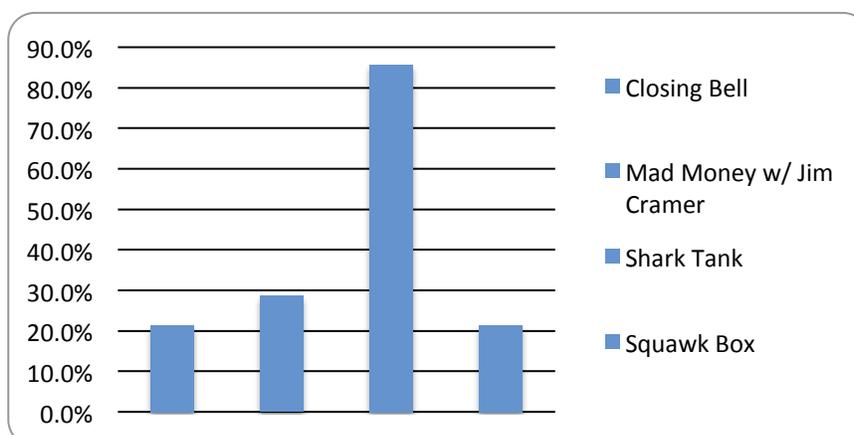
**Which of these print sources do you read? Mark all that apply.**

Answer Options	Response Percent	Response Count
Entrepreneur Inc.	28.0%	7
Fast Company	24.0%	6
KC Business Journal	64.0%	16
New York Times	32.0%	8
Wall Street Journal	52.0%	13
Other (please specify)		6
<i>answered question</i>		25



**What TV/Broadcast programs do you watch? Mark all that apply.**

Answer Options	Response Percent	Response Count
Closing Bell	21.4%	6
Mad Money w/ Jim Cramer	28.6%	8
Shark Tank	85.7%	24
Squawk Box	21.4%	6
Other (please specify)		4
<i>answered question</i>		28



## 1 Million Cups Survey “Insert Answers” Responses

### Where (city, state & county) do you currently reside?

#### City, State & County

Kearney & Liberty, MO - Clay County  
 Kansas City, North Kansas City & Gladstone, MO - Clay County  
 Kansas City & Gladstone - Clay County  
 Kansas City, MO - Clay County  
 Lawrence, KS - Douglas County  
 Lee’s Summit, MO - Jackson County (3)  
 Kansas City, MO - Jackson County (15)  
 Kansas City & Raytown, MO - Jackson County (3)  
 Mission, KS, Overland Park, Merriam, KS - Johnson County (2)  
 Roeland Park, Fairway & Westwood, KS - Johnson County  
 Leawood, KS - Johnson County (2)  
 Prairie Village & Mission Hills, KS - Johnson County  
 Overland Park - Johnson County (6)  
 Shawnee & Lenexa - Johnson County (2)  
 Paola, KS - Miami County  
 Parkville, Kansas City & Weatherby Lake, MO - Platte County (2)  
 Nevada, MO - Vernon County  
 Kansas City, KS - Wyandotte County (5)

#### Summary of Counties

Clay County - MO	8%
Douglas County - KS	2%
Jackson County - MO	43%
Johnson County - KS	29%
Miami County - KS	2%
Platte County - MO	4%
Vernon County - MO	2%
Wyandotte County - KS	10%

### Please list a word or short phrase that you associate with the following exchanges:

BATS	Direct Edge	NASDAQ	NYSE
Direct Electronic Market	? (2)	Big, faster growing companies	Big/big corporations (2)
Maker -- Scalper	Don’t know it	Exchange maker	Bigger guns -- Indexed by the DOW
Global	NA	Focuses primarily on smaller, publicly traded	Blue chips (2)
Global commerce	No clue	Gone public	Business and stocks
Hidden volume	not sure	High tech focus	Established
Innovative	unfamiliar	Investments	I have security LIC #64 and #65
KC-based exchange	unknown	Investor	Investments
Local startup	who?	Market Place on NPR	Investor
Local stock market		NA	Larger CAP
NA		Smaller CAP	Larger exchange
Newcomer		Smaller exchange	Market Place on NPR
No clue		Stock	More general, larger exchange
Philanthropic founder		Tech (3)	NA
Unfamiliar		Tech & start-up companies	Old School
Unknown		Tech related, smaller exchange	Ring the Bell
		Tech stocks (2)	S&P 500
		Technology (2)	Some public
		The Tech and Electronic Market	Stable
		Well-known	Stocks (2)
			Stocks with a history
			Traditional (2)
			Traditional companies

## General Survey Capstone (round 2)



## 1. Age:

		Response Percent	Response Count
Under 24		10.7%	23
25-34		32.7%	70
35-44		15.9%	34
45-54		13.1%	28
55 or older		27.6%	59
<b>answered question</b>			<b>214</b>
<b>skipped question</b>			<b>2</b>

## 2. Gender:

		Response Percent	Response Count
Female		69.0%	145
Male		31.0%	65
<b>answered question</b>			<b>210</b>
<b>skipped question</b>			<b>6</b>

## 3. In what zipcode do you currently reside?

	Response Count
	213
<b>answered question</b>	<b>213</b>
<b>skipped question</b>	<b>3</b>

## 4. Education (chose highest attainment level):

		Response Percent	Response Count
High school graduate or less		3.7%	8
Tech/trade/vocational degree		0.9%	2
Some college, no degree		10.2%	22
Associate's degree		7.0%	15
<b>Bachelor's degree</b>		<b>32.6%</b>	<b>70</b>
Some graduate work, no degree		9.3%	20
Master's degree		31.2%	67
Professional/doctorate degree		5.1%	11
<b>answered question</b>			<b>215</b>
<b>skipped question</b>			<b>1</b>

## 5. In what industry do you work? (If retired or not employed, please list the industry in which you once worked.)

	Response Count
	213
<b>answered question</b>	<b>213</b>
<b>skipped question</b>	<b>3</b>

**6. Describe the service or product of this company. If you are unfamiliar with this company, what's your best guess?**

	Response Count
	204
answered question	204
skipped question	12

**7. With the additional text, do you know what type of product or service this company provides? If you do not know, what's your best guess?**

	Response Count
	188
answered question	188
skipped question	28

**8. Prior to taking this survey, do you recall ever seeing this logo? If yes, please list where you think you may have seen it.**

		Response Percent	Response Count
Yes		13.1%	26
No		86.9%	172

If yes, please list where you saw the logo: 27

answered question	198
skipped question	18

## 9. Please rate your awareness of the following stock exchanges.

	Very Aware	Moderately Aware	Slightly Aware	Not Aware	Rating Count
BATS Global Markets	2.0% (4)	3.5% (7)	5.5% (11)	<b>88.9% (177)</b>	199
Direct Edge	0.0% (0)	1.5% (3)	5.6% (11)	<b>92.9% (182)</b>	196
NASDAQ	<b>68.7% (138)</b>	18.9% (38)	7.5% (15)	5.0% (10)	201
New York Stock Exchange (NYSE)	<b>73.0% (146)</b>	17.5% (35)	7.5% (15)	2.0% (4)	200
<b>answered question</b>					<b>201</b>
<b>skipped question</b>					<b>15</b>

## 10. Describe your level of trading activity (stocks, mutual funds, ETFs, etc.):

		Response Percent	Response Count
Frequent (daily or at least weekly)		0.5%	1
Often (several times per month)		8.0%	16
Seldom (several times in a year)		18.1%	36
Occasionally (once or twice in one year)		12.6%	25
<b>Not very often</b>		<b>31.7%</b>	<b>63</b>
Never		29.1%	58
<b>answered question</b>			<b>199</b>
<b>skipped question</b>			<b>17</b>

## 11. Who do you use to buy/sell investments: (Mark all that apply)

		Response Percent	Response Count
Through financial professionals (e.g., financial adviser, financial planner, stock broker)		44.7%	89
Self-directed through online account services (e.g., Vanguard, Fidelity, E*Trade, TD Ameritrade)		27.1%	54
Through my employer-sponsored investment options		38.2%	76
I do not invest		14.1%	28
	Other (please specify)		5
		<b>answered question</b>	<b>199</b>
		<b>skipped question</b>	<b>17</b>

## 12. What information sources influence your investing decisions? (Mark all that apply)

		Response Percent	Response Count
Friends or family recommendations		31.4%	60
Media reports		14.7%	28
Self-directed research		39.8%	76
<b>Recommendations from financial professionals</b>		<b>61.8%</b>	<b>118</b>
Direct mail from financial companies		1.0%	2
I do not invest		16.2%	31
	Other (please specify)		9
<b>answered question</b>			<b>191</b>
<b>skipped question</b>			<b>25</b>

### 13. Rank your use of the following media sources to monitor news from the financial industry (in alpha order):

	Frequently (daily)	Often (weekly)	Occasionally (monthly)	Rarely (a few times a year)	Never	Rating Average	Rating Count
Brokerage account research services	2.7% (5)	2.7% (5)	16.6% (31)	26.2% (49)	<b>51.9% (97)</b>	4.22	187
Online business/financial news sources	11.1% (21)	12.2% (23)	19.0% (36)	25.4% (48)	<b>32.3% (61)</b>	3.56	189
Social media such as Twitter, Facebook, etc.	6.1% (11)	6.6% (12)	8.8% (16)	19.9% (36)	<b>58.6% (106)</b>	4.18	181
TV broadcast programming	10.1% (19)	9.0% (17)	20.7% (39)	27.7% (52)	<b>32.4% (61)</b>	3.63	188
Traditional printed publications	5.3% (10)	5.9% (11)	23.9% (45)	31.4% (59)	<b>33.5% (63)</b>	3.82	188
<b>answered question</b>							<b>195</b>
<b>skipped question</b>							<b>21</b>

### 14. Have you ever invested in a company's initial public offering (IPO)?

		Response Percent	Response Count
Yes		9.4%	18
No		<b>72.8%</b>	<b>139</b>
I'm not familiar with initial public offerings (IPOs)		17.8%	34
<b>answered question</b>			<b>191</b>
<b>skipped question</b>			<b>25</b>

# Appendix

## 15. Mark all that apply to you in regard to using online crowdfunding/crowdsourcing platforms to invest. (Crowdfunding platform examples; Kickstarter, RocketHub & Upstart).

		Response Percent	Response Count
I have invested in a company through a crowdfunding platform		3.7%	7
I plan on investing in a company through a crowdfunding platform		0.5%	1
I am open to investing in a company through a crowdfunding platform		19.0%	36
I will likely never invest in a company through a crowdfunding platform		10.6%	20
I would consider or have used crowdfunding to finance a business/project		5.8%	11
<b>I am unfamiliar with crowdfunding platforms</b>		<b>67.7%</b>	<b>128</b>
<b>answered question</b>			<b>189</b>
<b>skipped question</b>			<b>27</b>

## 16. Gender

		Response Percent	Response Count
Male		0.0%	0
Female		0.0%	0
<b>answered question</b>			<b>0</b>
<b>skipped question</b>			<b>216</b>

**17. Age**

	Response Percent	Response Count
< 18	0.0%	0
18-29	0.0%	0
30-44	0.0%	0
45-60	0.0%	0
> 60	0.0%	0
	<b>answered question</b>	<b>0</b>
	<b>skipped question</b>	<b>216</b>

**18. Household Income**

	Response Percent	Response Count
\$0 - \$24,999	0.0%	0
\$25,000 - \$49,999	0.0%	0
\$50,000 - \$99,999	0.0%	0
\$100,000 - \$149,999	0.0%	0
\$150,000+	0.0%	0
	<b>answered question</b>	<b>0</b>
	<b>skipped question</b>	<b>216</b>

# Appendix

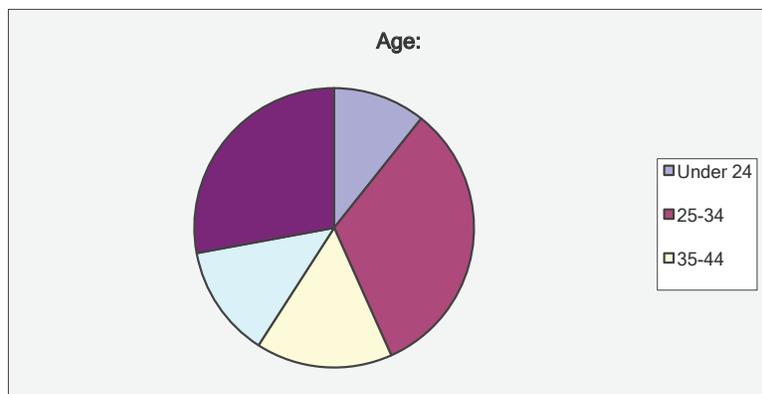
## 19. Education

	Response Percent	Response Count
Less than high school degree	0.0%	0
High school degree	0.0%	0
Some college	0.0%	0
Associate or bachelor degree	0.0%	0
Graduate degree	0.0%	0
	<b>answered question</b>	<b>0</b>
	<b>skipped question</b>	<b>216</b>

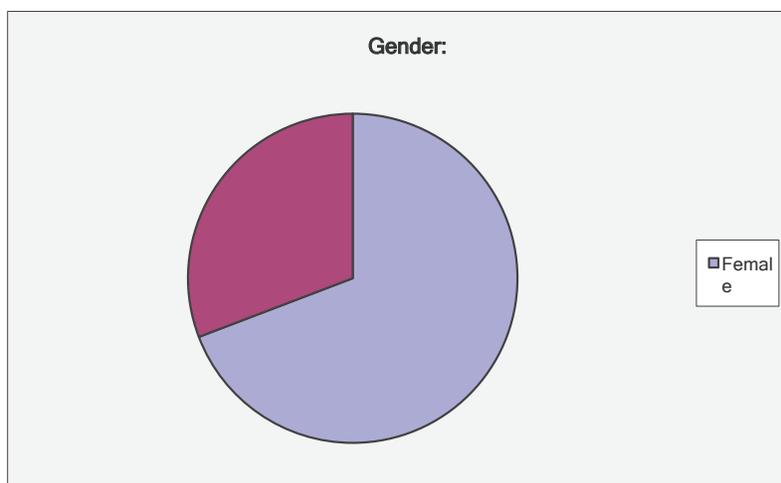
## 20. Location (Census Region)

	Response Percent	Response Count
New England	0.0%	0
Middle Atlantic	0.0%	0
East North Central	0.0%	0
West North Central	0.0%	0
South Atlantic	0.0%	0
East South Central	0.0%	0
West South Central	0.0%	0
Mountain	0.0%	0
Pacific	0.0%	0
	<b>answered question</b>	<b>0</b>
	<b>skipped question</b>	<b>216</b>

Age:		
Answer Options	Response Percent	Response Count
Under 24	10.7%	23
25-34	32.6%	70
35-44	15.8%	34
45-54	13.0%	28
55 or older	27.9%	60
<i>answered question</i>		<b>215</b>
<i>skipped question</i>		<b>2</b>



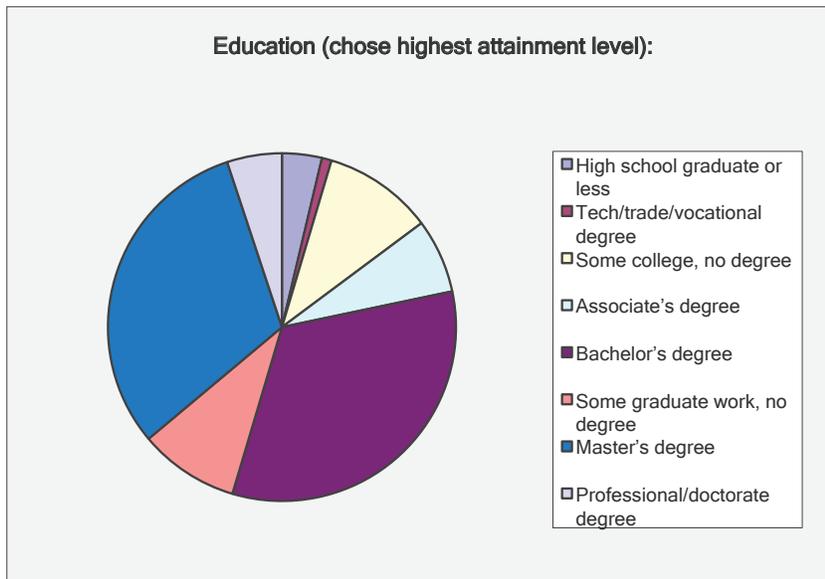
Gender:		
Answer Options	Response Percent	Response Count
Female	69.2%	146
Male	30.8%	65
<i>answered question</i>		<b>211</b>
<i>skipped question</i>		<b>6</b>



In what zipcode do you currently reside?		
Answer Options	Response Count	
	214	
<i>answered question</i>		<b>214</b>
<i>skipped question</i>		<b>3</b>

# Appendix

Education (chose highest attainment level):		
Answer Options	Response Percent	Response Count
High school graduate or less	3.7%	8
Tech/trade/vocational degree	0.9%	2
Some college, no degree	10.2%	22
Associate's degree	6.9%	15
Bachelor's degree	32.9%	71
Some graduate work, no degree	9.3%	20
Master's degree	31.0%	67
Professional/doctorate degree	5.1%	11
<b>answered question</b>		<b>216</b>
<b>skipped question</b>		<b>1</b>

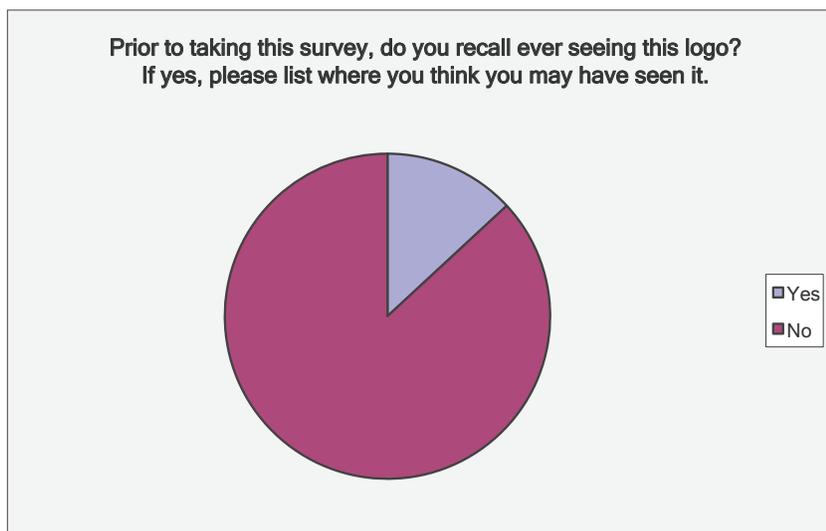


In what industry do you work? (If retired or not employed, please list	
Answer Options	Response Count
	214
<b>answered question</b>	<b>214</b>
<b>skipped question</b>	<b>3</b>

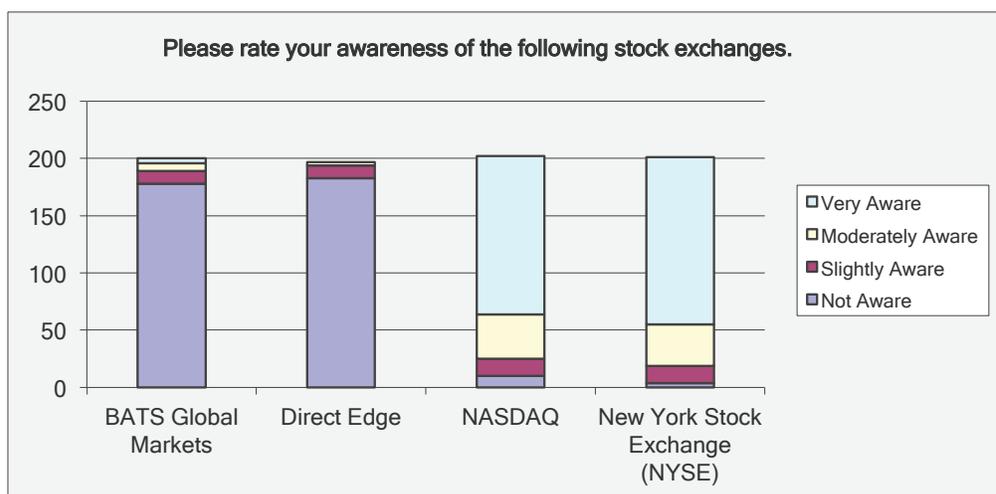
Describe the service or product of this company. If you are	
Answer Options	Response Count
	205
<b>answered question</b>	<b>205</b>
<b>skipped question</b>	<b>12</b>

With the additional text, do you know what type of product or	
Answer Options	Response Count
	189
<b>answered question</b>	<b>189</b>
<b>skipped question</b>	<b>28</b>

Prior to taking this survey, do you recall ever seeing this logo? If yes, please list		
Answer Options	Response Percent	Response Count
Yes	13.1%	26
No	86.9%	173
If yes, please list where you saw the logo:		27
<i>answered question</i>		<b>199</b>
<i>skipped question</i>		<b>18</b>



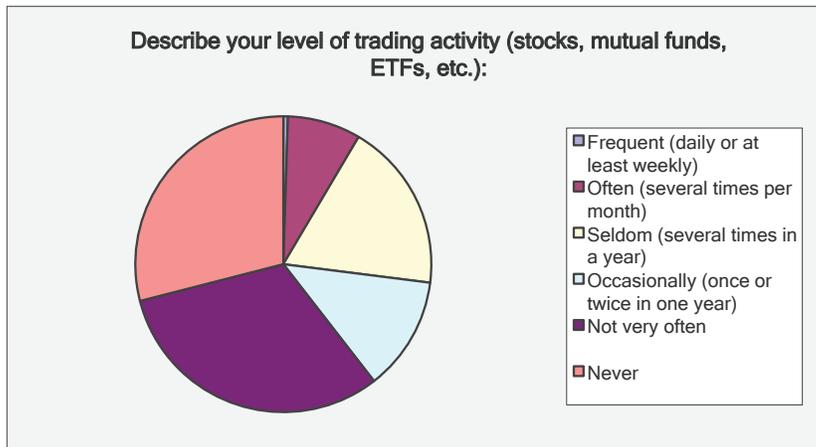
Please rate your awareness of the following stock exchanges.					
Answer Options	Very Aware	Moderately Aware	Slightly Aware	Not Aware	Response Count
BATS Global Markets	4	7	11	178	200
Direct Edge	0	3	11	183	197
NASDAQ	138	39	15	10	202
New York Stock Exchange (NYSE)	146	36	15	4	201
<i>answered question</i>					<b>202</b>
<i>skipped question</i>					<b>15</b>



# Appendix

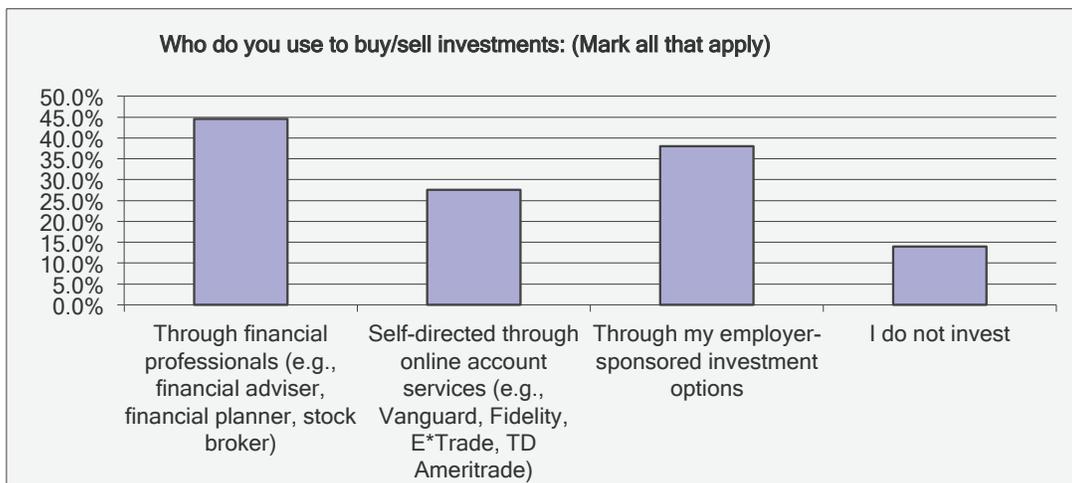
**Describe your level of trading activity (stocks, mutual funds, ETFs, etc.):**

Answer Options	Response Percent	Response Count
Frequent (daily or at least weekly)	0.5%	1
Often (several times per month)	8.0%	16
Seldom (several times in a year)	18.5%	37
Occasionally (once or twice in one year)	12.5%	25
Not very often	31.5%	63
Never	29.0%	58
<i>answered question</i>		<b>200</b>
<i>skipped question</i>		<b>17</b>



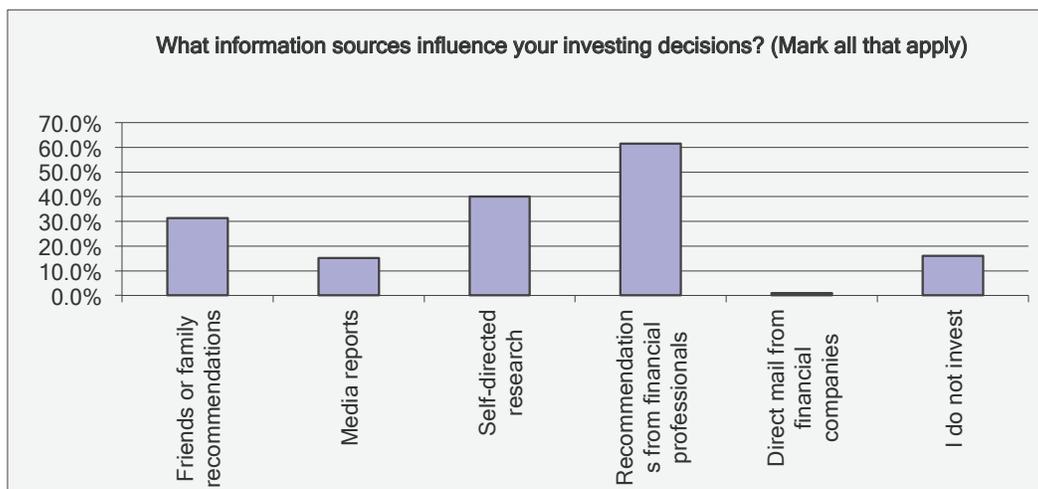
**Who do you use to buy/sell investments: (Mark all that apply)**

Answer Options	Response Percent	Response Count
Through financial professionals (e.g., financial adviser, financial planner, stock broker)	44.5%	89
Self-directed through online account services (e.g., Vanguard, Fidelity, E*Trade, TD Ameritrade)	27.5%	55
Through my employer-sponsored investment options	38.0%	76
I do not invest	14.0%	28
Other (please specify)		5
<i>answered question</i>		<b>200</b>
<i>skipped question</i>		<b>17</b>



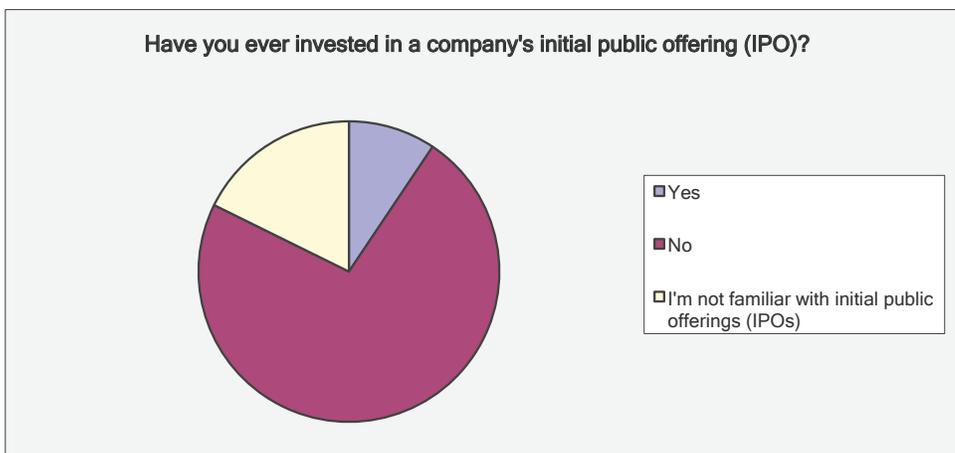
## What information sources influence your investing decisions? (Mark all that apply)

Answer Options	Response Percent	Response Count
Friends or family recommendations	31.3%	60
Media reports	15.1%	29
Self-directed research	40.1%	77
Recommendations from financial professionals	61.5%	118
Direct mail from financial companies	1.0%	2
I do not invest	16.1%	31
Other (please specify)		9
<b>answered question</b>		<b>192</b>
<b>skipped question</b>		<b>25</b>



## Have you ever invested in a company's initial public offering (IPO)?

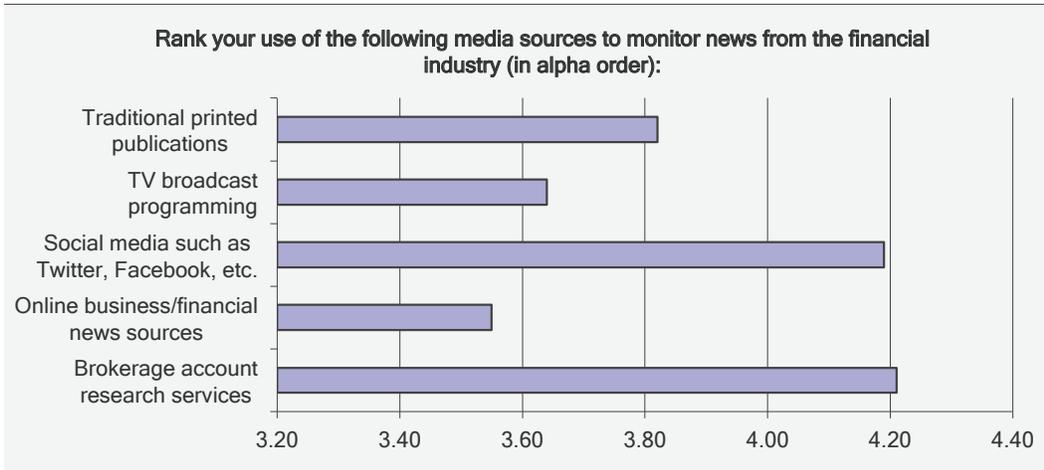
Answer Options	Response Percent	Response Count
Yes	9.4%	18
No	72.9%	140
I'm not familiar with initial public offerings (IPOs)	17.7%	34
<b>answered question</b>		<b>192</b>
<b>skipped question</b>		<b>25</b>



# Appendix

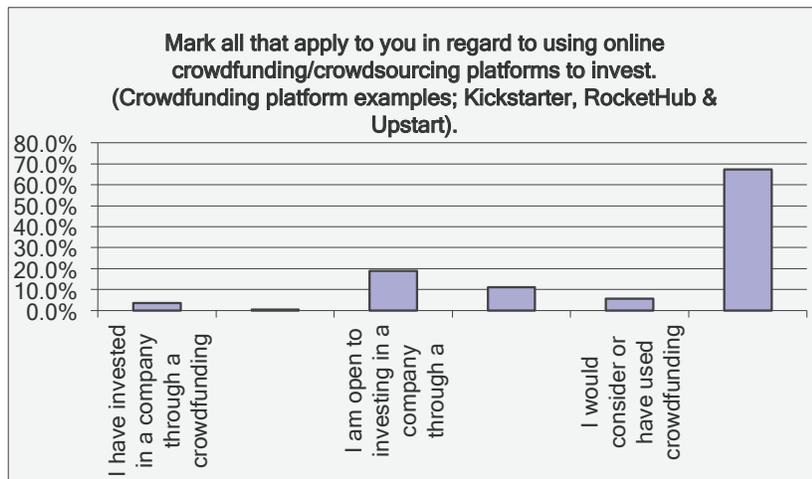
Rank your use of the following media sources to monitor news from the financial industry (in alpha order):

Answer Options	Frequently (daily)	Often (weekly)	Occasionally (monthly)	Rarely (a few times a year)	Never	Rating Average	Response Count
Brokerage account research	5	5	32	49	97	4.21	188
Online business/financial	21	23	37	48	61	3.55	190
Social media such as	11	12	16	36	107	4.19	182
TV broadcast programming	19	17	39	52	62	3.64	189
Traditional printed	10	11	45	60	63	3.82	189
<i>answered question</i>							<b>196</b>
<i>skipped question</i>							<b>21</b>



Mark all that apply to you in regard to using online crowdfunding/crowdsourcing

Answer Options	Response Percent	Response Count
I have invested in a company through a	3.7%	7
I plan on investing in a company through a	0.5%	1
I am open to investing in a company through a	18.9%	36
I will likely never invest in a company through a	11.1%	21
I would consider or have used crowdfunding to	5.8%	11
I am unfamiliar with crowdfunding platforms	67.4%	128
<i>answered question</i>		<b>190</b>
<i>skipped question</i>		<b>27</b>







67530	Great Bend, KS
67857	Kendall, KS
66043	Lansing, KS
70508	Lafayette, LA
20854	Potomac, MD
63119	St Louis, MO
64029	Grain Valley, MO
64112	Kansas City, MO
64112	Kansas City, MO
64152	Kansas City, MO
65536	Lebanon, MO
65559	St James, MO
39154	Raymond, MS
28209	Charlotte, NC
68130	Omaha, NE
68147	Bellevue, NE
68502	Lincoln, NE
68649	North Bend, NE
89436	Sparks, NV
11211	New York, NY
11238	New York, NY
43081	Westerville, OH
43081	Westerville, OH
44118	Cleveland, OH

73012	Edmond, OK
73012	Edmond, OK
73034	Edmond, OK
73072	Norman, OK
74012	Broken Arrow, OK
74033	Glenpool, OK
74063	Sand Springs, OK
64678	Coos Bay, OR
75075	Plano, TX
75080	Richardson, TX
75080	Richardson, TX
75231	Dallas, TX
75234	Dallas, TX
76028	Burleson, TX
76107	Fort Worth, TX
77025	Houston, TX
77057	Houston, TX
77584	Pearland, TX
22911	Charlottesville, VA
23321	Chesapeake, VA
98363	Port Angeles, WA
53213	Milwaukee, WI
54880	Superior, WI
82070	Laramie, WY

**In what industry do you work? (If retired or not employed, please list the industry in which you once worked.)**

Accounting (5)	Casino/Gaming	Environmental, Health & Safety
Aerospace (2)	Chemical (Oil & Gas)-Packaging	Executive search firm
Aerospace & Defense	Chemicals	Farm Implement Mfg
Agriculture	Childcare	Fashion/Fashion Design (2)
Air compressors	Childcare, direct sales, retail	Federal Probation/Pretrial Services
Airline	Church	Floral
Architecture, Engineering & Construction	Civil Engineering (2)	Fundraising
Art/service	Communications	Government/Public Service (5)
Assisted living	Communications technology	Health care (14)
Association management	Computer Programming	Higher Education (3)
Athletics	Criminal Justice	Hospitality
Automotive Aftermarket	Defense	Hospitality and Marketing
Banking/Finance/Accounting (8)	Dental	Insurance (3)
Behavioral Health	eCommerce	Insurance Inspector
Beverage	Education (59)	Interior Architectural Design
Business (2)	Energy	Journalism
Business administration (2)	Engineering	Labor
	Engineering and Construction (2)	Law/law student/Legal (4)

# Appendix

Law Enforcement	Pharmaceutical Research	Sales
Managing Conferences	Photographer	School office clerk
Manufacturing (6)	Printing	Service
Marketing (4)	Ranching; Farming (2)	Social Services
Media Sales	Real estate (4)	Software Engineering
Medical/Medical sales (4)	Recreation	Sports
Military (2)	Restaurant	Student (4)
Mortgage banking	Retail (2)	Technology (2)
Nonprofit	Retail real estate	Telecommunications
Nursing/Nurse paralegal (5)	Retired educator	Transportation (3)
Oil/Oil and Gas (3)	Retired writer & editor	Veterinary Medicine (2)

## **Describe the service or product of this company [logo displayed]. If you are unfamiliar with this company, what's your best guess?**

An electronic stock exchange	Sells lids for various products
Finance--markets	Cartage
Financial services	Cattle production - feedlot
Financial services company	Chases bats in bell towers
First thought baseball bats with the diamond but I know it's an investment company.	Chemicals
I know it has something to do with stocks.	Cleaning products
International Trading, 2nd largest stock trading company in the world. Headquartered in Lenexa with an office in London.	Colorful brochures
Investments	Construction (3)
Online stock exchange based in Lenexa (2)	Exterminator/Extermination (3)
Stock/stock exchange/securities markets (11)	Farm implement
Baseball (15)	Fishing
Baseball bat manufacturer	Flooring, tiling (2)
Baseball bats (46)	Health care services
Baseball bats sales	Building materials
Baseball equipment/gear/products/supplies (22)	Industrial cleaning
Baseball equipment sales or a practice facility for baseball hitting practice	Lawn care
Baseball store	Machinery
MLB stock exchange	Marketing
Retail center for baseball equipment.	No clue/no idea/not sure (8)
Sporting equipment/sporting goods (15)	Office Supplies/Services
Sports (7)	Packaging
Sports products, lawn care	Paper goods.
A "green"/"environmentally friendly" business.	Pest control/removal (6)
Acronym of something you may use in your home.	Phone service
Admissions & Scholarships	Provide best execution of providing excellent service to ensure programs go as planned.
After Market Auto Products	Raising cattle, wheat
Agricultural farm equipment manufacturer	Refined petroleum chemicals and petrochemicals
Agriculture	Signs
Architectural design	Skin Care Products
Audit, tax and advisory services	Software
Base parts-springs & wireforms	Storage
Building	Technical School
	Transportation
	Would assume it's an acronym for a government funded outreach group

**With the additional text [tagline added], do you know what type of product or service this company provides? If you do not know, what's your best guess?**

- A better way to trade on the stock markets  
 Business investments  
 Financial services for stock market  
 Gives buyers and sellers of securities a place to exchange  
 Global markets and stocks  
 Guessing -- stock broker  
 Helping companies get new customers  
 I'm familiar with Bats, but I'm not sure the tag line would help people who aren't familiar with them understand what they do.  
 It hosts public companies for trading their stock  
 Mutual funds index funds  
 Oh, right - isn't it an exchange like the NASDAQ?  
 Stocks/stock broker/stock exchange/stock trading (5)  
 They are a stock exchange, but additional text doesn't necessarily assist with that.  
 This company helps you invest your money in the stock market.  
 Yes, read my answer to question 6. This logo is more informative.  
 A little, it still could be a marketing firm  
 A marketing firm  
 A service to help market your product.  
 A support for commercial distributors  
 Advertising (9)  
 Direct mail  
 I still do not know but am confident my last answer was incorrect. Perhaps is something with consulting or marketing services.  
 I'm unclear what kind of market they're making better.  
 Does the "A" stand out to represent a letter grade of service.  
 Increasing market awareness  
 It looks like a consulting firm (so the brand is an acronym)  
 Marketing (17)  
 Signs  
 Sound more like an advising/marketing company  
 Still not sure what product/service this company would provide. Maybe web design.  
 With the added text it does not appear to be a sporting goods company. I would guess it has to do with company brand design.  
 Acute care services, long term care services, behavioral health services  
 Admissions  
 Baseball (2)  
 Baseball bats (5)  
 Baseball Bats Manufacturer  
 Baseball equipment (3)  
 Best analytical technology service  
 Big Ass Technical Solutions for the financial markets :-)  
 Bringing Americans Telephone Service  
 Cars  
 Classified and unclassified services and products to the Department of Defense and all the federal government agencies.  
 Comfort food  
 Consultant for baseball  
 Consultants for organization of grocery stores  
 Consumer products for aftermarket towing.  
 Do not know (4).  
 Economics  
 Education for public school students  
 Farm machinery  
 Feeds the world  
 Finance Group?  
 Financial advice (2)  
 Financial planning  
 Financial services (2)  
 Gasoline, diesel, jet fuel, and base chemicals  
 Groceries (3)  
 Guessing--equipment  
 I don't know  
 I think they are a financial advising company helping individuals to make money by investing their money.  
 I'm have no idea.  
 Improving super markets??  
 Investing company (3)  
 Investment banking  
 Investments (5)  
 Marketing firm  
 More confused now, I don't know.  
 My assumption is the company is associated with baseball, especially because I saw the sign at the KC Royals games.  
 No/no clue (16)  
 No, makes some kind of market better  
 Non profit economic infrastructure development  
 Now I'm leaning towards selling small rodents to clean up the mosquito population which would have the effect of producing a more hospitable environment.

# Appendix

Perhaps a marketing company or day trader  
Roofing  
Shopping carts  
Skin Care Products  
Some sort of a market maker, but not sure  
what type of a market.  
Something regarding the stock market? Or super  
markets?

Sports/sports equipment (2)  
Stock advisor/stock exchange (2)  
Super market consulting?  
They are the technology for financial markets.  
Unsure - Baseball - the home plate as well

## **If you have seen this logo before, please list where you think you may have seen it.**

Along I-35, at Royals games, on the internet.  
Building off I-35, Royals games  
Multiple places  
135th St.  
A building off I35  
A lecture at the university of Kansas  
Baseball games on TV  
I have visited their office in London  
In class, outside of their HQ  
In Kansas City, driving off I-35  
On their building  
On their Lenexa office building.  
Possibly at a basketball arena  
Right off the highway

At the K - Royals Stadium  
Kauffman Stadium  
Kauffman Stadium, on their building  
Royals baseball  
Royals games  
Sports Venues. Royals Crown Club  
Can't remember  
I thinks on a truck  
Local Kansas City business publications  
Not sure  
Not sure but seems familiar  
On advertisements  
Online advertising

# Integrated Marketing Solutions for a Digital Age



Source: Focus Groups, Inc.  
<http://www.pinterest.com/pin/550494754422442809/>



## TOP AREA ADVERTISING AGENCIES

RANKED BY LOCAL CAPITALIZED BILLINGS IN 2012

Name / Prior (*unranked in 2012) / URL	Address	Local Capitalized Billings	Percent of Billings by Segment	Specialty Services	Clients	Top Local Executive(s)
<b>1 VML</b> ② www.vml.com	250 Richards Rd., Kansas City, MO 64116 816-283-0700	\$714,357,000	NA	creative, social media, mobile, project management, strategic planning & user experience	Gatorade, Microsoft, Dell, Kellogg's, Miller-Coors, Wendy's, Xerox	CEO and President Jon Cook jcook@vml.com
<b>2 Bernstein-Rein</b> ③ www.b-r.com	4600 Madison Ave., Ste. 1500 Kansas City, MO 64112 816-756-0640	\$418,981,000	broadcast-37; Internet-16; print-5; other-42	fire engine design	McDonald's, Hostess Brands, MeLife, LPL Financial	Chairman Robert Bernstein President Steve Bernstein
<b>3 Barkley</b> ⑥ www.barkleyus.com	1740 Main St., Kansas City, MO 64108 816-842-1500	\$333,000,000	NA	advertising, PR, social media, sponsorships & events, design, media planning & buying	Blue Bunny, Casey's General Store, Dairy Queen, Krispy Kreme	CEO Jeff King jking@barkleyus.com
<b>4 MMGY Global</b> ⑧ www.mmgglobal.com	4601 Madison Ave., Kansas City, MO 64112 816-472-5988	\$165,621,854	broadcast-14; Internet-52; print-32; other-2	interactive development, mobile, social, PR, promotion, CRM and paid media	Delaware North Companies, Trump, Starwood, Choice	Chairman Don Montague President & CEO Clayton Reid
<b>5 PlattForm</b> ① www.plattform.com	15500 W. 113th St., Ste. 200 Lenexa, KS 66219 913-254-6000	\$137,700,000	broadcast-6; Internet-67; print-2; other-5	paid search management, SEO, website marketing, web design & traditional media	Brown Mackie College, Liberty University, Post University, Seton Hall	Chief Integrity Officer Dave Admire
<b>6 BKV Inc.</b> ⑦ www.blv.com	10561 Barkley St., Ste. 200 Overland Park, KS 66212 913-648-8333	\$120,000,000	broadcast-10; Internet-60; print-25; other-5	digital and direct marketing	Mercedes-Benz, Carestream Dental, Inland Truck, BP, Dico	President & CEO Rick Skaggs rick.skaggs@blv.com
<b>7 McCormick Co.</b> ⑨ www.mccormickcompany.com	930 Main, Ste. 1850 Kansas City, MO 64105 816-584-8444	\$111,000,000	broadcast-40; Internet-10; print-50	marketing strategy, interactive, creative, PR, media planning & relations	Fil Lilly & Co., Monsanto	President Mark Perrin
<b>8 GlynnDevins Advertising &amp; Marketing</b> ⑪ www.glynndevins.com	11230 College Blvd., Overland Park, KS 66210 913-491-0600	\$98,409,180	broadcast-4; print-30; digital-9; other-57	advertising, marketing, digital, direct mail, PR, senior living & health care fields	NA	Principal Jim Glynn Principal George Devins
<b>9 Walz Tetrick Advertising</b> ⑩ www.walztetrick.com	6299 Nall Ave., Ste. 300 Mission, KS 66202 913-789-8778	\$86,997,000	broadcast-53; Internet-1; print-9; other-37	full-service agency in retail, agriculture, health care, sports marketing, & other fields	Dairy Queen, Elanco, Olathe Health System, Prairie Band Casino	CEO Charles Tetrick ctetrick@wtads.com
<b>10 Trozzolo Communications Group</b> ⑫ www.trozzolo.com	811 Wyandotte St., Kansas City, MO 64105 816-842-8111	\$73,000,000	broadcast-30; Internet-30; print-20; other-20	advertising, branding, digital	Missouri Bank, Papa Murphy's, Cerner, Kansas Dept. of Transportation	CEO Pasquale Trozzolo President Angelo Trozzolo
<b>11 Muller Bressler Brown</b> ⑬ www.mbbagency.com	11610 Ash St., Ste. 200 Leawood, KS 66211 816-531-1992	\$67,000,000	broadcast-4; Internet-19; print-29; other-10	health care, consumer & financial marketing, interactive & social media	NA	COO Jim Brown jbrown@mbbagency.com
<b>12 Sullivan Higdon &amp; Sink Inc.</b> ⑭ www.wehatesheep.com	2000 Central St., Kansas City, MO 64108 816-474-1333	\$58,407,790	broadcast-25; Internet-20; print-45; other-10	food value chain, health & wellness, aerospace & defense, finance, marketing to men	SONIC Drive-In, Merial Animal Health, Dairy Farmers of America	Managing Partners Randall Mikulecky Lynell Stucky
<b>13 Intouch Solutions Inc.</b> ④ http://www.intouchsol.com	10975 Benson St., Ste. 200 Overland Park, KS 66210 913-317-9700	\$51,188,181	Internet-90; print-10	strategic planning, mobile social media, creative, user experience, CRM, web	Bayer Animal Health, CareFusion, Eisai, Genzyme, Gilead	CEO Faruk Capan faruk.capan@intouchsol.com
<b>14 inQuest Marketing</b> ⑮ www.inquestmarketing.com	9249 Ward Parkway, Kansas City, MO 64114 816-998-0994	\$43,000,000	broadcast-40; Internet-25; print-10; other-25	strategic planning, database, media planning & buying, design, interactive & digital	Price Chopper, Commerce Bank, Starlight, Hertz, Faultless Starch	President & CEO Brian M. Olson
<b>15 ProAct Marketing Group Inc.</b> ⑯ www.proactgroup.com	2604 N.E. Industrial Dr., #230 North Kansas City, MO 64117 816-477-9898	\$40,452,523	Internet-20; print-40; other-40	website apps & hosting, promotions & fulfillment, publishing, sales incentives	General Motors, Navistar International, Ottawa Trucks, Kalmar Lift Trucks	President Denise Moser dmoser@proactgroup.com
<b>16 Kuhn &amp; Wittenborn Advertising</b> ⑰ www.kuhnwitt.com	2405 Grand Blvd., 8th Floor Kansas City, MO 64108 816-471-7888	\$32,016,000	broadcast-35; Internet-40; print-15; other-10	NA	NA	CEO Whitey Kuhn wkuhn@kuhnwitt.com
<b>17 Salva O'Renick</b> ⑱ www.uncommonsense.com	1810 Cherry St., Kansas City, MO 64108 816-842-6996	\$26,680,000	broadcast-15; Internet-70; print-15	interactive content marketing, digital channel optimization	H&R Block, Protective Life Insurance, Central Banccompany, Lloyd Inc.	CEO Mark O'Renick
<b>18 Meers Advertising</b> ⑲ www.meers.com	1811 Walnut St., Kansas City, MO 64108 816-474-2920	\$17,000,000	broadcast-60; Internet-10; print-20; other-10	branding, creative, channel strategy, media planning & buying, social media	3M, Blue KC, Missouri Gas Energy, Welimark Blue Cross Blue Shield	President & CEO Sam Meers sam@meers.com
<b>19 Fasone &amp; Partners</b> ⑳ www.fasonepartners.com	4003 Pennsylvania Ave., Kansas City, MO 64111 816-753-7272	\$15,000,000	NA	advertising, marketing, digital, direct mail, PR, media planning & buying, creative	NA	CEO Michael Fasone michael@fasonepartners.com
<b>20 Osborn Barr</b> ㉑ www.osbornbarr.com	304 W. Eighth St., Kansas City, MO 64105 816-471-2255	\$13,253,579	NA	social responsibility, advocacy initiatives, multi-tiered sales & distribution channels	United Soybean Board, Merck Animal Health, Monsanto, AGCO	Partner & CFO Rhonda Ries
<b>21 Rhycom</b> ㉒ www.rhycom.com	10975 Grandview Dr. Overland Park, KS 66210 913-451-9102	\$12,143,802	broadcast-20; Internet-40; print-20; other-20	health care, technology, PR, strategic planning, research, branding, creative, interactive	Farmland, Commerce Bank, The Tuttera Group, United BioSource Corp.	President Rick Rhymer rrhymer@rhycom.com
<b>22 Two West</b> ㉓ www.twowest.com	514 W. 26th St., Kansas City, MO 64108 816-471-3255	\$4,703,147	Internet-7; print-47; other-46	retail, point of sale & wait, in-store, motion graphics & live action, coop, local marketing	Sprint (Retail, Coop, Digital), LG Home Electronics, The Roosterie	CEO Ethan Whitehill ethan@twowest.com
<b>23 Candid Marketing &amp; Communications</b> ㉔ www.justbecandid.com	400 SW Longview Blvd., Suite 200 Lee's Summit, MO 64081 816-765-3608	\$2,200,000	broadcast-2; Internet-20; print-74; other-4	branding, cross-platform creative services, strategic marketing & communications	Metcalfe Bank, City of Edgerton, KS, Wyandotte County EDC, KCPL (LOIS)	President & Principal Becky Freely-Graber becky@justbecandid.com
<b>24 Evans Media Group</b> ㉕ http://www.evansmediagroup.com	15621 W. 87th St., Ste. 223 Lenexa, KS 66219 913-489-7364	\$1,600,000	NA	social & traditional media, web design, mobile, video, media buying, SEO	PRA Studies, Michael Smith, Extra Virgin, Carpet Corner, CCR	President Paul Evans paul@evansmediagroup.com

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ADVERTISING EMPLOYEES, LOCAL

1. VML	600
2. Intouch Solutions Inc.	339
3. PlattForm	314
4. Barkley	289
5. Bernstein-Rein	220
6. MMGY Global	109
7. GlynnDevins Advertising & Marketing	102
8. Sullivan Higdon & Sink Inc.	79
9. McCormick Co.	54
10. BKV Inc.	50
10. Trozzolo Communications Group	50
12. Two West	42
13. Muller Bressler Brown	35
14. Kuhn & Wittenborn Advertising	30
14. Salva O'Renick	30
16. inQuest Marketing	28
17. Meers Advertising	26
17. Walz Tetrick Advertising	26
19. Osborn Barr	25
20. ProAct Marketing Group Inc.	17
21. Fasone & Partners	15
22. Rhycom	12
23. Candid Marketing & Communications	7
24. Evans Media Group	4

**ABOUT THE LIST**  
Information was obtained from firm representatives. Information on The List was supplied by individual companies through questionnaires and could not be independently verified by the Kansas City Business Journal. Only those that responded to our inquiries were listed. In case of ties, companies are listed alphabetically.

**WANT TO BE ON THE LIST?**  
If you wish to be surveyed when The List is next updated, or if you wish to be considered for other Lists, email your contact information to Derek Ozkal at dozkal@bizjournals.com and make sure to include which list(s) you wish to be surveyed inclusion.

NOTES: 2012 rankings were based on net income generated locally; NA - not applicable, not available or not approved. Originally published August 2, 2013.

## THE LIST

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### TOP WEB DEVELOPMENT FIRMS

RANKED BY 2012 REVENUE FOR WEB DESIGN AND DEVELOPMENT

Name / Prior (*unranked in 2012) / URL	Address	2012 Revenue	Web Design	General Business Description	Top Local Executive(s)
1 <b>VML</b> ① www.vml.com	250 Richards Road, Kansas City, MO 64116 816-283-0700	\$129,150,000	application development, strategy, graphic layout, other design services	global digital marketing agency; creative solutions in marketing & technology; engineer digital experiences, social media & mobile marketing	CEO Jon Cook jcook@vml.com
2 <b>Intouch Solutions Inc.</b> ③ www.intouchsol.com	10975 Benson St., Suite 200 Overland Park, KS 66210 913-317-9700	\$51,188,181	strategy, graphic layout, other design services	digital integration for health care marketing	CEO Faruk Capan faruk.capan@intouchsol.com
3 <b>MMGY Global</b> ② www.mmgyglobal.com	4601 Madison Ave., Kansas City, MO 64112 816-472-5988	\$20,480,000	application development, strategy, graphic layout	integrated marketing firm specializing in travel & hospitality	CEO Clayton Reid creid@mmgyglobal.com Chairman Don Montague
4 <b>DEG</b> ④ www.degdigital.com	10801 Mastin Blvd., Suite 130, Overland Park, KS 66210, 913-498-9988	\$14,475,000	application development, strategy, graphic layout	full-service digital consultancy creating smart digital marketing, commerce, & collaboration strategies that empower organizations	CEO Neal Sharma sharma@degdigital.com
5 <b>Bernstein-Rein</b> ⑤ www.b-r.com	4600 Madison Ave., Suite 1500, Kansas City, MO 64112, 816-756-0640	\$10,028,000	application development, strategy, graphic layout, other design services	full-service advertising agency, specialties in branding, strategy, media planning & buying, digital marketing, social marketing	President Steve Bernstein steveb@br.com Chairman Robert Bernstein
6 <b>BKV Inc.</b> ⑥ www.bkv.com	10561 Barkley St., Suite 200 Overland Park, KS 66212 913-648-8333	\$7,900,000	application development, strategy, graphic layout, other design services	digital & direct-response agency generating measurable results for clients	CEO Rick Skaggs rick.skaggs@bkv.com
7 <b>In10sity Midwest</b> ⑦ www.in10sity.net	105 E. Fifth St., Suite 202 Overland Park, KS 66210 888-483-2383	\$4,500,000	application development, strategy, graphic layout, other design services	website design, content management systems, e-marketing, SEO, online donations, online giving	Vice President Jon Ellison jon.ellison@in10sity.net
8 <b>Trabon</b> ⑧ www.trabongroup.com	420 E. Bannister Road, Kansas City, MO 64131 816-276-2500	\$4,100,000	application development, strategy, graphic layout, other design services	software design & development, IT consulting	CEO Tim Trabon President Greg Deitch gdeitch@trabongroup.com
9 <b>7strategy</b> ⑩ www.7strategy.com	117 N. Cooper St., Olathe, KS 66061 888-231-3062	\$3,900,000	application development, strategy, other design services	Web design, search engine optimization & Internet marketing for companies from large multi-national corporations to traditional small businesses	President Rasvir Mustan rasvir@7strategy.com
10 <b>Muller Bressler Brown</b> ⑫ www.mbbagency.com	11610 Ash St., Suite 200 Leawood, KS 66211 816-531-1992	\$3,074,650	application development, strategy, graphic layout, other design services	design, programming, hosting, electronic marketing, search optimization	COO Jim Brown jbrown@mbbagency.com Chief Client Service Officer Phil Bressler
11 <b>Mersoft Corporation</b> ⑭ www.mersoft.com	9300 W. 110th St., Building 55, Overland Park, KS 66210 913-871-6200	\$2,500,000	application development	Web apps, mobile apps, portal development with back-office integration; cloud, e-commerce, database & line-of-business solutions; Rails, PHP	CEO Ron Sloop resloop@mersoft.com
12 <b>Digital Lagoon</b> ⑰ www.lagoon.com	9121 Bond St., Overland Park, KS 66214 913-888-3468	\$1,980,000	application development, strategy, graphic layout, other design services	Web design & hosting, marketing, application development, search engine marketing, video production, large format printing	President Jordan Gershon jgershon@lagoon.com
13 <b>Ascend Integrated Media</b> ⑬ www.ascendintegratedmedia.com	7015 College Blvd., Suite 600, Overland Park, KS 66211, 913-344-1401	\$1,934,000	strategy, graphic layout, other design services	custom content & marketing services agency	CEO Cameron Bishop cbishop@ascendintegratedmedia.com
14 <b>Salva O'Renick</b> ⑱ www.uncommonssense.com	1810 Cherry St., Kansas City, MO 64108 816-842-6996	\$1,900,000	application development, strategy, graphic layout, other design services	brand development, UX-centered website development, digital channel optimization, GoToMarket strategic development	CEO Mark O'Renick
15 <b>WYSIWYG Marketing LLC</b> ⑲ www.wysiwygmarketing.com	2001 Grand Blvd., Suite 301 Kansas City, MO 64108 816-759-2800	\$1,826,000	application development	comprehensive online marketing services geared to industrial manufacturers & distributors, website design & development, website integration with sales & accounting systems, SEO, PPC	Partners Ryan Jennings, John Miller, Mike Waris ryan.jennings@wysiwygmarketing.com
16 <b>Aspect Software Inc.</b> ⑧ www.aspect.com	7501 Oakleaf Blvd., Suite 105, Overland Park, KS 66210, 978-905-3617	\$1,750,000	application development, strategy, graphic layout, other design services	custom applications & solutions from Aspect leverage Web 2.0 & real-time communications & collaboration technologies like Microsoft Lync	General Manager John Luddy john.luddy@aspect.com
17 <b>AdventureTech Group</b> ⑮ www.adventuretechgroup.com	7490 W. 130th St., Suite 320 Overland Park, KS 66213 913-402-9600	\$1,583,545	application development, other design services	consulting services in the latest mobile, Web & cloud development scenarios, tool sets for the IBM, providing custom software development	President Doug McDaniel doug.mcdaniel@adventuretechgroup.com
18 <b>Level Five Solutions</b> ⑳ www.levelfivesolutions.com	7301 W. 133rd St., Suite 301 Overland Park, KS 66213 913-400-2014	\$1,578,467	application development, strategy, graphic layout, other design services	interactive development firm with core strengths in user experience & enterprise architecture, help companies solve problems through research	Client Services Director Kim Laws, kim.laws@levelfivesolutions.com
19 <b>AJI Software</b> ㉑ www.ajisoft.com	415 Delaware St., Suite 2W Kansas City, MO 64105 816-527-0300	\$1,450,000	application development, strategy, graphic layout, other design services	Microsoft focused software consultancy specializing in the art of producing & delivering software for both web & native applications	Managing Partners John Alexander & Jeff Julian john@ajisoft.com
20 <b>Tricension</b> ㉒ www.tricension.com	222 W. 20th St., Kansas City, MO 64108 816-399-0638	\$1,350,000	application development, strategy, graphic layout, other design services	business solutions architecture: custom Web, software development; Microsoft Dynamics CRM, Enterprise Content Management, SharePoint	CEO Mike Lammers mike.lammers@tricension.com
21 <b>Clickfarm Interactive Inc.</b> ㉓ www.clickfarminteractive.com	1527 Locust St., Kansas City, MO 64108 816-698-5054	\$1,261,000	application development, strategy, graphic layout, other design services	digital marketing strategy, execution, design & software development on a variety of Web & mobile platforms	Principals Brett Wacha & Brandon Worrell, brandon@clickfarminteractive.com
22 <b>GlynnDevin Advertising &amp; Marketing</b> ㉔ www.glynndevins.com	11230 College Blvd., Overland Park, KS 66210 913-491-0600	\$1,256,168	application development, strategy, graphic layout, other design services	strategy, project management, programming, design, Flash, content management, email solutions, e-newsletters, SEO, portals, blogs, social media, technical consulting, display advertising	Principal Jim Glynn jglynn@glynndevins.com
23 <b>Internet Builder Consulting</b> ㉕ www.InternetBuilderConsulting.com	106 W. 11th St., Suite 1430 Kansas City, MO 64105 816-842-7774	\$1,180,000	application development, strategy, graphic layout, other design services	websites, eCommerce, SEO, social marketing, training & consulting	Internet & Technology Expert Robert Jackson rjackson@ibcconsulting.com
24 <b>CyteWorks Inc.</b> ㉖ www.cytworke.com	P.O. Box 554, Lee's Summit, MO 64055 816-272-5246	\$1,042,000	application development, strategy, other design services	technology business consultants, website development, managed hosting services	Managing Partners Duane Blankenship & Robb Wascheck duane@cytworke.com
25 <b>McCormick Co.</b> ㉗ www.mccormickcompany.com	920 Main St., Suite 1850 Kansas City, MO 64105 816-584-8444	\$820,600	application development, strategy, graphic layout	fully integrated agency, strategy, creative, media, interactive, public relations, total package of communications	President Mark Perrin perrin@jm1526.com

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LOCAL EMPLOYEES

1. VML	550
2. Intouch Solutions Inc.	329
3. Bernstein-Rein	220
4. Aspect Software Inc.	150
5. MMGY Global	125
6. DEG	113
7. BKV Inc.	50
8. Ascend Integrated Media	49
9. McCormick Co.	40
10. 7strategy	35
11. Trabon	32
12. Salva O'Renick	30
13. Digital Lagoon	22
15. Mersoft Corporation	22
15. Level Five Solutions	18
15. Tricension	18
17. Internet Builder Consulting	14
18. Clickfarm Interactive Inc.	11
18. GlynnDevin Advertising & Marketing	11
20. AJI Software	10
20. CyteWorks Inc.	10
22. AdventureTech Group	9
23. In10sity Midwest	8

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NOTES: NA - not applicable, not available or not approved. Originally published October 25, 2013.

## THE LIST

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dozkal@bizjournals.com

### TOP AREA PUBLIC RELATIONS AGENCIES

RANKED BY 2012 FEE INCOME GENERATED LOCALLY FROM PUBLIC RELATIONS SERVICES

Name / Prior / URL	Address	Fee Income	Local Accounts	General Business Description	Top Local Executive(s)
<b>1 Trozzolo Communications Group</b> ① www.trozzolo.com	811 Wyandotte St., Kansas City, MO 64105 816-842-8111	\$6,630,000	40	strategy, public relations, crisis communications, social, branding, digital	President Angela Trozzolo angelo@trozzolo.com CEO Pasquale Trozzolo pasquale@trozzolo.com
<b>2 Crossroads</b> ② www.crossroads.us	1740 Main St., Kansas City, MO 64108 816-842-1500	\$2,900,000	3	strategic consulting, influencer relations, cause branding, crisis management, internal relations	President Mike Swenson mswenson@crossroads.us
<b>3 Parris Communications Inc.</b> ③ www.parriscommunications.com	4510 Bellevue Ave., Suite 110 Kansas City, MO 64111 816-931-8900	\$2,864,895	28	strategic communications, social & traditional media relations, public affairs/public issues management, crisis communications	President and CEO Roghayeh Parris Managing Director Laurie L. Roberts lroberts@parriscommunications.com
<b>4 McCormick Co.</b> ④ www.mccormickcompany.com	920 Main, Suite 1850 Kansas City, MO 64105 816-584-8444	\$2,721,000	5	public relations, media relations, interactive, crisis planning	President Mark Perrin
<b>5 Morningstar Communications</b> ⑤ www.morningstarcomm.com	12701 Metcalf, #104 Overland Park, KS 66213 913-851-8700	\$1,135,000	10	content creation and distribution management, media relations, social media, executive presentation coaching, crisis communications	President and CEO Eric M. Morgenstern APR, Fellow PRSA emorgenstern@morningstarcomm.com
<b>6 GlynnDeVins Advertising &amp; Marketing</b> ⑥ www.glynndevins.com	11230 College Blvd., Overland Park, KS 66210 913-491-0600	\$936,870	3	media relations, strategic planning, media training, crisis management, event planning, social media	Principal Jim Glynn jglynn@glynndevins.com Principal George DeVins gdevins@glynndevins.com

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NATIONAL ACCOUNTS

- GlynnDeVins Advertising & Marketing 35
- Crossroads 15
- Morningstar Communications 15
- Trozzolo Communications Group 14
- Parris Communications Inc. 10
- McCormick Co. 9

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NOTES: Crossroads was listed as Barkley in 2012. NA - not applicable, not available or not approved. Originally published August 2, 2013.

## ASK THE PROFESSIONALS BUSINESS ANSWERS TO PRESSING MATTERS

### COMMERCIAL REAL ESTATE

What do real estate investment partnerships allow me to do that I can't do on my own?

It depends on the type of investor you are and what quality of property you are seeking. Let's first assume that what you can invest on your own or invest through a partnership would have the same rate of return.

First, it's important to choose your partners and sponsor (lead investor) carefully. Alignment of interests and trust is key to successful investment.

Initial questions to ask:

- Are we similarly capitalized?
- Do we have similar goals (long term vs. short term)?
- Do they have a history of real estate investing?
- How do they present information, and how do they treat me?

Next, consider what you can accomplish with others that you may not be able to accomplish alone:

- Invest in higher quality assets
- Increase asset diversity and mitigate risk by spreading your investment over several assets
- Gain additional investment opportunities through the partnership
- Learn from your partners' perspectives and experience

Real estate is cyclical, so good partners are critical in sharing both the potential upside and downside. It is also largely illiquid (not easily converted to cash), so partnerships can last a while.

With the right investment group, you can leverage your investment dollars with better diversity and risk-adjusted returns than with going it alone.

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816.701.5000



### GROWING MINDS, GROWING BUSINESS

What is the role of The University of Kansas Edwards Campus in Greater Kansas City?

As needs of the workforce grow and change, the University of Kansas Edwards Campus is ever evolving to be a leader in meeting and exceeding these demands. Focused on providing flexible course scheduling and on-site student services to working adults, the Edwards Campus brings high-quality academic programs and research from KU to Greater Kansas City.

Since 1993, the campus has contributed more than \$500 million to the Johnson County economy through education, research and service initiatives. The campus has close ties to Metro-area companies and partners with them to identify workforce needs. The new project management graduate degrees are a prime example of this collaboration. Based upon numerous national and regional economic forecasts, project management consistently ranks high in demand and job security. This is especially true for Kansas City as the metropolitan area with the most per capita consulting engineers and architects.

The KU Edwards Campus engages prominent Kansas City business leaders on our Board of Advisors and Workforce Development Advisory Board. These respected and influential individuals provide insight and feedback on program development including curriculum. This ensures that KU Edwards Campus programs strengthen the Kansas City workforce.

Centers and institutes on the Edwards Campus also partner with the community to develop innovative research and address pressing societal needs. These include our Confucius Institute, Kansas Center for Autism Research and Training, Hartley Audiology Clinic, Center for STEM Learning and KU Public Management Center.

We're proud to represent KU in Greater Kansas City. Please visit us soon, in person or online - edwardscampus.ku.edu.

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Edwards Campus  
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Vice Chancellor - KU Edwards Campus  
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## Serving Up Starting Salaries

### DESIGN & PRODUCTION

POSITION	LOW	HIGH
Creative Director (8+ years)	\$ 102,500	\$ 177,500
Creative Director (5 to 8 years)	\$ 92,500	\$ 130,250
Creative Services Manager	\$ 75,000	\$ 111,750
Art Director (5+ years)	\$ 70,750	\$ 102,000
Art Director (3 to 5 years)	\$ 62,750	\$ 76,250
Production Director (8+ years)	\$ 79,000	\$ 106,750
Production Manager	\$ 58,500	\$ 80,000
Production Coordinator	\$ 39,500	\$ 53,500
Project Manager	\$ 54,000	\$ 80,000
Studio Manager (5+ years)	\$ 71,250	\$ 98,750
Studio Manager (1 to 5 years)	\$ 57,500	\$ 78,000
Traffic Manager	\$ 50,000	\$ 71,750
Traffic Coordinator	\$ 38,000	\$ 54,250
Technical Illustrator	\$ 67,500	\$ 93,500
Medical Illustrator	\$ 64,500	\$ 85,500
Illustrator (3+ years)	\$ 53,250	\$ 75,500
Illustrator (1 to 3 years)	\$ 39,500	\$ 53,500
Graphic Designer (5+ years)	\$ 63,000	\$ 86,000
Graphic Designer (3 to 5 years)	\$ 50,000	\$ 69,500
Graphic Designer (1 to 3 years)	\$ 37,750	\$ 54,500
Package Designer	\$ 57,750	\$ 86,500
Package Production Artist	\$ 45,750	\$ 63,750
Layout Designer	\$ 45,500	\$ 62,500
Litigation Graphics Specialist	\$ 57,000	\$ 83,000
Infographics Designer	\$ 54,500	\$ 73,000
3D Animator	\$ 60,500	\$ 87,000
3D Modeler	\$ 59,000	\$ 82,750
Studio Artist (3+ years)	\$ 52,500	\$ 69,500
Studio Artist (1 to 3 years)	\$ 41,000	\$ 54,500
Multimedia Designer	\$ 56,250	\$ 82,250
Presentation Specialist (3+ years)	\$ 54,000	\$ 78,000
Presentation Specialist (1 to 3 years)	\$ 43,000	\$ 55,250
Production Artist (3+ years)	\$ 47,000	\$ 64,000
Production Artist (1 to 3 years)	\$ 35,500	\$ 49,000

## INTERACTIVE

POSITION	LOW	HIGH
Interactive Creative Director	\$ 98,500	\$ 167,000
Interactive Art Director	\$ 83,750	\$ 115,000
Interaction Designer (5+ years)	\$ 78,500	\$ 110,500
Interaction Designer (1 to 5 years)	\$ 54,500	\$ 78,750
Responsive Designer	\$ 67,250	\$ 98,000
Information Architect	\$ 83,000	\$ 123,750
User Experience (UX) Director	\$ 108,500	\$ 161,750
User Experience (UX) Designer	\$ 78,000	\$ 120,000
User Experience (UX) Specialist	\$ 79,000	\$ 118,000
User Interface (UI) Developer	\$ 80,500	\$ 118,750
Web Designer (5+ years)	\$ 76,750	\$ 107,000
Web Designer (1 to 5 years)	\$ 52,750	\$ 79,500
Email Marketing Designer	\$ 51,000	\$ 72,250
Flash Designer/Developer	\$ 60,500	\$ 88,500
HTML Developer	\$ 58,000	\$ 83,000
Front-End Web Developer (3+ years)	\$ 63,500	\$ 90,000
Front-End Web Developer (1 to 3 years)	\$ 47,750	\$ 68,000
Interactive Producer	\$ 70,750	\$ 98,750
Web Production Artist	\$ 48,500	\$ 66,500
Blogger	\$ 42,000	\$ 63,750
Motion Designer	\$ 64,500	\$ 94,750
Video Producer	\$ 61,000	\$ 86,500
Video Editor	\$ 54,500	\$ 79,000
Mobile Designer	\$ 66,000	\$ 103,000
Mobile Developer	\$ 84,000	\$ 121,500
Game Designer	\$ 62,750	\$ 98,250

## CONTENT DEVELOPMENT & MANAGEMENT

POSITION	LOW	HIGH
Copywriter (5+ years)	\$ 74,500	\$ 105,000
Copywriter (3 to 5 years)	\$ 57,750	\$ 75,500
Copywriter (1 to 3 years)	\$ 41,500	\$ 56,750
Medical Writer (5+ years)	\$ 83,500	\$ 114,500
Medical Writer (3 to 5 years)	\$ 66,500	\$ 90,500
Curriculum Developer/Writer	\$ 68,000	\$ 95,500
Instructional Systems Designer	\$ 70,500	\$ 107,250
Proposal Writer	\$ 61,000	\$ 84,750
Web Content Writer (5+ years)	\$ 62,500	\$ 92,500

.....

**CONTENT DEVELOPMENT & MANAGEMENT (CONTINUED)**

POSITION	LOW	HIGH
Web Content Writer (1 to 5 years)	\$ 45,750	\$ 68,500
Copy Editor (3+ years)	\$ 52,000	\$ 72,500
Copy Editor (1 to 3 years)	\$ 38,500	\$ 52,500
Proofreader	\$ 36,500	\$ 53,750
Content Manager	\$ 62,250	\$ 83,000
Content Strategist	\$ 70,500	\$ 95,500

**ADVERTISING & MARKETING**

POSITION	LOW	HIGH
<b>AGENCY</b>		
President	\$ 136,000	\$ 202,000
Vice President	\$ 124,000	\$ 180,000
Business Development Director	\$ 93,500	\$ 152,500
Creative Director	\$ 104,500	\$ 160,750
Account Director	\$ 91,000	\$ 122,000
Account Supervisor	\$ 74,250	\$ 98,500
Account Manager (5+ years)	\$ 62,750	\$ 87,500
Account Executive (3+ years)	\$ 50,250	\$ 70,250
Account Coordinator (1 to 3 years)	\$ 36,750	\$ 51,500
Account Planner/Strategist	\$ 42,000	\$ 63,500
Social Media Account Manager	\$ 53,000	\$ 72,500

**CORPORATE**

Chief Marketing Officer	\$ 135,000	\$ 212,500
Vice President of Marketing	\$ 116,000	\$ 206,000
Marketing Director	\$ 91,500	\$ 138,500
MarCom Manager	\$ 66,750	\$ 97,000
MarCom Specialist (5+ years)	\$ 63,500	\$ 88,500
MarCom Specialist (1 to 5 years)	\$ 46,000	\$ 65,500

**AGENCY OR CORPORATE**

Media Director (5+ years)	\$ 83,750	\$ 118,000
Media Planner	\$ 58,250	\$ 82,000
Media Buyer (3+ years)	\$ 54,750	\$ 79,500
Media Buyer (1 to 3 years)	\$ 42,750	\$ 58,000
Market Researcher (3+ years)	\$ 65,000	\$ 84,250
Market Researcher (1 to 3 years)	\$ 46,000	\$ 60,250
Brand/Product Manager (5+ years)	\$ 80,500	\$ 108,500
Brand/Product Manager (1 to 5 years)	\$ 62,500	\$ 86,000
MarCom Manager (5+ years)	\$ 72,000	\$ 100,750

## ADVERTISING & MARKETING (CONTINUED)

POSITION	LOW	HIGH
<b>AGENCY OR CORPORATE (CONTINUED)</b>		
MarCom Manager (3 to 5 years)	\$ 59,000	\$ 80,000
MarCom Coordinator (1 to 3 years)	\$ 41,000	\$ 58,000
User Experience (UX) Analyst	\$ 72,750	\$ 97,500
Event/Trade Show Manager	\$ 53,000	\$ 78,500
Event/Trade Show Coordinator	\$ 40,750	\$ 55,500
Digital Marketing Strategist	\$ 88,000	\$ 128,500
Interactive Marketing Manager	\$ 84,000	\$ 122,000
E-Commerce Marketing Manager	\$ 81,500	\$ 111,500
Email Marketing Manager	\$ 67,000	\$ 88,500
Mobile Marketing Manager	\$ 82,250	\$ 113,000
Marketing Analytics Specialist (3+ years)	\$ 70,750	\$ 92,750
Marketing Analytics Specialist (1 to 3 years)	\$ 55,250	\$ 72,500
Web Analytics Specialist (3+ years)	\$ 78,000	\$ 102,000
Web Analytics Specialist (1 to 3 years)	\$ 72,000	\$ 97,000
SEO/SEM Specialist (3+ years)	\$ 70,500	\$ 94,000
SEO/SEM Specialist (1 to 3 years)	\$ 50,250	\$ 66,250
Digital Project Manager	\$ 73,000	\$ 108,000
Digital Traffic Manager	\$ 56,500	\$ 79,000
Digital Community Manager	\$ 60,000	\$ 70,500
Social Media Manager	\$ 65,000	\$ 90,750
Social Media Marketer	\$ 59,750	\$ 80,000
Social Media Specialist	\$ 52,250	\$ 73,500

## PUBLIC RELATIONS

POSITION	LOW	HIGH
<b>AGENCY</b>		
Vice President/Group Director	\$ 118,000	\$ 202,500
Account Manager/Supervisor	\$ 78,500	\$ 112,000
Senior Account Executive (5+ years)	\$ 70,000	\$ 98,750
Account Executive (3 to 5 years)	\$ 54,000	\$ 72,000
Account Coordinator (1 to 3 years)	\$ 38,000	\$ 55,250
<b>CORPORATE</b>		
Vice President of Public Relations	\$ 118,000	\$ 200,750
Public Relations Director	\$ 94,000	\$ 130,500
Public Relations Manager	\$ 75,500	\$ 96,500
Public Relations Specialist (5+ years)	\$ 63,250	\$ 88,500
Public Relations/Communications Specialist (1 to 5 years)	\$ 42,250	\$ 64,000

## Local Varieties

### ADJUSTING SALARIES FOR U.S. CITIES

The starting salary ranges provided on the previous pages reflect the national averages for each position. To determine the estimated salary range for a position in your area, use the local variance numbers on Pages 12-13. Move the decimal point in the variance number two places to the left, and then multiply this figure by the low and high ends of the salary range.

#### ALABAMA

Birmingham .....	95.0
Huntsville .....	93.0
Mobile .....	86.0

#### ARIZONA

Phoenix .....	108.0
Tucson .....	100.0

#### ARKANSAS

Fayetteville .....	95.0
Little Rock .....	95.0

#### CALIFORNIA

Fresno .....	90.0
Irvine .....	124.5
Los Angeles .....	125.0
Oakland .....	125.0
Ontario .....	115.0
Sacramento .....	101.5
San Diego .....	118.5
San Francisco .....	135.5
San Jose .....	133.0
Santa Barbara .....	121.0
Santa Rosa .....	110.0
Stockton .....	85.0

#### COLORADO

Boulder .....	113.3
Colorado Springs .....	90.5
Denver .....	102.8
Fort Collins .....	92.8
Greeley .....	83.8
Loveland .....	90.5
Pueblo .....	76.0

#### CONNECTICUT

Hartford .....	116.5
New Haven.....	112.0
Stamford.....	131.0

#### DELAWARE

Wilmington.....	105.0
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#### DISTRICT OF COLUMBIA

Washington .....	130.5
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#### FLORIDA

Fort Myers .....	88.0
Jacksonville .....	93.5
Melbourne .....	89.0
Miami/	
Fort Lauderdale .....	106.7
Orlando .....	98.5
St. Petersburg .....	94.0
Tampa .....	96.5
West Palm Beach .....	99.5

#### GEORGIA

Atlanta .....	105.0
Macon .....	84.0
Savannah .....	84.0

#### HAWAII

Honolulu .....	91.0
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#### IDAHO

Boise .....	86.1
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#### ILLINOIS

Chicago .....	123.0
Naperville .....	112.0
Rockford .....	80.0
Springfield .....	91.0

#### INDIANA

Fort Wayne .....	81.0
Indianapolis .....	94.0

#### IOWA

Cedar Rapids .....	90.0
Davenport .....	90.0
Des Moines .....	100.0
Sioux City .....	79.1
Waterloo/	
Cedar Falls .....	81.7

#### KANSAS

Kansas City .....	97.0
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#### KENTUCKY

Lexington .....	88.5
Louisville .....	91.5

#### LOUISIANA

Baton Rouge .....	99.0
New Orleans .....	99.0

#### MAINE

Portland .....	95.0
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#### MARYLAND

Baltimore .....	103.0
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## MASSACHUSETTS

Boston .....	133.0
Springfield .....	104.0

## MICHIGAN

Ann Arbor .....	100.5
Detroit .....	100.0
Grand Rapids .....	85.0
Lansing .....	84.0

## MINNESOTA

Bloomington .....	105.5
Duluth .....	79.6
Minneapolis .....	105.5
Rochester .....	100.5
St. Cloud .....	82.0
St. Paul .....	102.0

## MISSOURI

Kansas City .....	97.2
St. Joseph .....	91.0
St. Louis .....	100.3

## NEBRASKA

Lincoln .....	79.2
Omaha .....	95.0

## NEVADA

Las Vegas .....	94.0
Reno .....	94.0

## NEW HAMPSHIRE

Manchester/ Nashua .....	112.0
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## NEW JERSEY

Mount Laurel .....	115.0
Paramus .....	130.0
Princeton .....	127.0
Woodbridge .....	126.0

## NEW MEXICO

Albuquerque .....	89.7
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## NEW YORK

Albany .....	97.0
Buffalo .....	95.0
Long Island .....	135.0
New York .....	141.0
Rochester .....	91.7
Syracuse .....	90.3

## NORTH CAROLINA

Charlotte .....	101.0
Greensboro .....	100.0
Raleigh .....	104.0

## OHIO

Akron .....	89.0
Canton .....	82.0
Cincinnati .....	97.5
Cleveland .....	95.5
Columbus .....	96.5
Dayton .....	87.0
Toledo .....	84.5
Youngstown .....	76.0

## OKLAHOMA

Oklahoma City .....	89.7
Tulsa .....	92.0

## OREGON

Portland .....	104.5
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## PENNSYLVANIA

Harrisburg .....	95.0
Philadelphia .....	115.0
Pittsburgh .....	96.2

## RHODE ISLAND

Providence .....	97.0
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## SOUTH CAROLINA

Charleston .....	92.0
Columbia .....	93.0
Greenville .....	90.0

## TENNESSEE

Chattanooga .....	88.0
Cool Springs .....	99.0
Knoxville .....	87.0
Memphis .....	95.0
Nashville .....	98.5

## TEXAS

Austin .....	104.0
Dallas .....	105.5
El Paso .....	70.0
Fort Worth .....	105.5
Houston .....	106.0
Midland/Odessa .....	96.0
San Antonio .....	98.0

## UTAH

Salt Lake City .....	99.0
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## VIRGINIA

Norfolk/ Hampton Roads .....	93.5
Richmond .....	98.0
Tysons Corner .....	130.0

## WASHINGTON

Seattle .....	118.9
Spokane .....	82.0

## WISCONSIN

Appleton .....	85.0
Green Bay .....	86.5
Madison .....	96.0
Milwaukee .....	99.0
Waukesha .....	98.5



## Tips from Google's Search Engine Optimization Starter Guide

(For the complete 32-page guide that includes step-by-step instructions and visuals, visit: <http://static.googleusercontent.com/media/www.google.com/en/us/webmasters/docs/search-engine-optimization-starter-guide.pdf>)

### *SEO Basics*

- Create unique, accurate page titles
- Make use of the “description” meta tag

### *Site Structure*

- Improve the structure of company URLs
- Make corporate site easier to navigate

### *Content Optimization*

- Offer quality content and services
- Write better anchor text
- Optimize use of images
- Use heading tags appropriately

### *Crawlers*

- Make effective use of robots.text
- Be aware of “rel=“nofollow” for links

### *SEO on Mobile Phones*

- Notify Google of mobile sites
- Guide mobile users accurately

### *Promotions and Analysis*

- Promote website in the right ways
- Make use of free webmaster tools

## Media Outlets for Financial Services Industry

Besides exchanges providing everyday trading data to the general investing public and the SEC providing formal financial filings, media outlets also play an important role in disseminating information to investors and the general public. The exchange of market data educates and influences consumers when making investment decisions.

### **Print**

Top U.S.-based newspapers, which devote valuable editorial space to the financial services industry, include *Wall Street Journal*, *The New York Times*, *USA Today*, *Los Angeles Times*, *Daily News* (New York, NY), *New York Post* and *The Washington Post*. Likewise, *Financial Times* is a large international industry publication. Magazines covering the financial markets include *Money* (1,930,480 circulation), *BusinessWeek* (990,683 circulation), *Forbes* (932,884), *The Economist* (833,104) and *Bloomberg Markets* (375,000).

### **Electronic**

Digital versions of the top newspapers and magazines exist to provide these publications with a means of communicating financial news when it occurs rather than waiting for a press run. These include [online.wsj.com](http://online.wsj.com) (*Wall Street Journal*), [nytimes.com](http://nytimes.com) (*The New York Times*), [Bloomberg.com](http://Bloomberg.com) and [BusinessWeek.com](http://BusinessWeek.com). Other financial services news organizations exist only in the digital format, bypassing high production cost of operating a printing press and distributing printed newspapers. These include [SeekingAlpha.com](http://SeekingAlpha.com) and [MotleyFool.com](http://MotleyFool.com) featuring contributing writers.

### **Blogs**

One of the newest members of the media for financial markets are blogs. These have become influential vehicles in assisting consumers with making investment decisions. Top blog sites include [huffingtonpost.com](http://huffingtonpost.com), [businessinsider.com](http://businessinsider.com) and [techcrunch.com](http://techcrunch.com).

### **Broadcast**

Print publications or website are not the only place investors receive market information. Television (network and cable programming) and radio stations use financial information to help fill the 24-hour news cycle. Examples of these media outlets and specific programming include CNBC, Bloomberg TV and Fox Business Network.

### **Social Media**

As with other industries, social media opportunities are taking B2B and B2C marketing efforts by storm. Social media channels, such as Twitter, LinkedIn, YouTube and Instagram, are cost efficient and effective ways to reach the masses as well as target audiences with strategic, concise marketing messages.

### **News Distribution Services**

Rather than building relationships with all available media outlet representatives, companies also get the word out by issuing press releases via news distribution services. These include PR Newswire, Business Wire and Financial News Media. Some financial institutions, including the Nasdaq exchange, offer its own news distribution division (GlobalNewswire).

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Advertising Regulation - FINRA

[Industry Professionals > Industry Issues](#)

## Advertising Regulation

FINRA's Advertising Regulation Department reviews broker-dealers' advertisements and other communications with the public to ensure that they are fair, balanced and not misleading. Every year, the department reviews more than 100,000 communications. Firms submit communications for review either as required by FINRA's rules or on a voluntary basis. In addition, the department conducts targeted examinations and reviews communications submitted as a complaint or inquiry from a third party such as a competitor or another regulator, including FINRA staff involved in an exam.

### FINRA Rule 2210

[FINRA Rule 2210](#) governs broker dealers' communications with the public including communications with retail and institutional investors. The rule provides standards for the content, approval, recordkeeping and filing of communications with FINRA.

[FINRA Rule 2210 Questions and Answers](#)

### Guidance

#### Selected Regulatory Notices

[13-03](#) FINRA Provides Guidance on New Rules Governing Communications With the Public

[12-29](#) SEC Approves New Rules Governing Communications With the Public

Effective Date: February 4, 2013

### Filings Review

Through this fee-based program, the department reviews communications broker-dealers file primarily in response to the requirements set forth in FINRA's rules. The department reviews the communications and provides written commentary to the firms, and if the department finds egregious violations, the staff will instruct a firm to cease using the communication and may refer the matter for disciplinary action.

- [Frequently Asked Questions \(FAQ\)](#)

### How to Submit Communications for Review

Advertising Regulation Electronic Files (AREF) is a Web-based application that enables FINRA member firms to file communications with the public for review by FINRA's Advertising Regulation Department. In addition, members may use AREF to view, print, and save department letters about communications filed for review. For more information regarding the system, please see the [Advertising Regulation Electronic Files page](#).

Firms that want to file hard copy submissions must use the [Filing Cover Sheet](#).

### Targeted Examinations

The department periodically requests that selected groups of broker-dealers provide for review communications that are normally not subject to the filing requirements set forth in the FINRA rules. These sweep or spot check reviews generally target areas of regulatory concern such as a new type of product or an investor protection issue. If a review reveals rule violations, the staff will provide written commentary to the firm and inquire into the preparation and use of the material. The staff may then refer these matters for disciplinary action.

FINRA has issued the following advertising-related targeted examination letters:

- [Spot-Check of Social Media Communications \(June 2013\)](#)
- [Spot-Check of Non-Traded REIT Communications \(September 2012\)](#)
- [Spread-Based Structured Products \(November 2011\)](#)

<http://www.finra.org/Industry/Issues/Advertising/>

1/2

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Advertising Regulation - FINRA

- [Spot-Check of Reverse Convertibles Advertising and Sales Literature \(March 2011\)](#)
- [Bank Broker-Dealer Services \(October 2010\)](#)
- [Non-Investment Company Exchange Traded Products Communications \(June 2010\)](#)
- [Municipal Underwriting and Municipal Derivative Instruments \(May 2009\)](#)
- [Exchange Traded Funds \(May 2009\)](#)
- [Sale and Promotion of Non-Traded REITs \(March 2009\)](#)
- [Hedge Fund Advertisements and Sales Literature \(January 2009\)](#)
- [Collateralized Mortgage Obligations \(December 2007\)](#)
- [Use of Professional Designations \(September 2007\)](#)

### **Advertising Regulation Resources**

Firms may also find the following advertising-related resources useful:

- [Recommendations Concerning Advertising and Promotion of Commission Discounts](#)
- [Member Alerts](#)
- [Investor Alerts](#)
- [Regulatory & Compliance Alert Article Reference Guide](#)
- [Notices](#)
- [News Releases](#)
- [Interpretive Letters](#)

### **Advertising Regulation Education**

FINRA's educational materials highlight news, regulatory updates and other compliance topics. You can find advertising-related courses using the following links.

- [Podcasts](#)
  - [Communications](#)
  - [Seniors](#)
  - [Suitability](#)
- [E-Learning Courses](#)

### **Advertising Regulation Contact Information**

Telephone: (240) 386-4500

Fax: (240) 386-4568

Address: FINRA  
Advertising Regulation Department  
9509 Key West Avenue  
Rockville, MD 20850

Last Updated: 1/8/2014

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## Corporate promotional opportunity with Kansas City T-Bones Baseball

- T-Bones Baseball recently completed the organization's 11th season. T-Bones Baseball averages more than 200,000 fans each season. It averaged more than 260,000 fans the past four seasons combined.
- On average, approximately 5,420 visitors attend each game. There were 49 games in 2013. Families make up a good portion of attendees. People attend the games because they are baseball fans or are looking for a family outing.
- Corporate sponsor receives:
  - Concourse fence banners (8' wide by 3' high)
  - Website banner ([www.tbonesbaseball.com](http://www.tbonesbaseball.com)) from May-August (about 85,000 unique views/month)
  - Half page ad in printed souvenir program offered to every fan entering the stadium (50,000 printed and distributed)
  - 30-second radio spot (1 per game for all home and away games; 100 total spots) on 610 Sports
  - 50 select seat ticket vouchers of the season (good for any game in 2014)
  - Marketing booth — pick five dates in season to have a table to interact with fans before the game (includes 10 GA/grass berm tickets per game when organization has a table/marketing booth)
  - Web link on the corporate partners page

Cost: **\$5,000** for the 2014 season for the benefits listed above. Information on other sponsorship opportunities is available from the organization. The sooner the agreement is signed the sooner the digital ads can run on the website and the better selection of dates the corporate sponsor wants to table/marketing booth opportunities.



# WATCH THIS SPACE. INFOGRAPHICS ARE **IN**

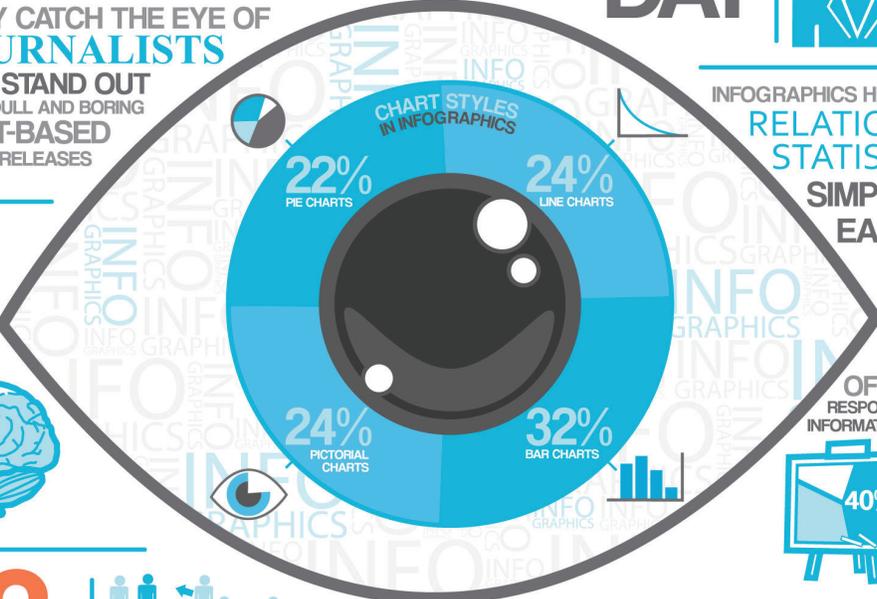
**100%** OF BUSINESSES CAN BENEFIT  
EVERYONE SHOULD CONSIDER THE POTENTIAL ADVANTAGES **RIGHT NOW**

INFOGRAPHIC PRODUCTION INCREASES BY **1%** EVERY DAY

THEY SHOW AN **EXPERT** UNDERSTANDING OF A SUBJECT AREA OR TOPIC

THEY CATCH THE EYE OF **JOURNALISTS** AND STAND OUT FROM DULL AND BORING TEXT-BASED PRESS RELEASES

**90%** OF INFORMATION THAT COMES TO THE BRAIN IS **VISUAL**



INFOGRAPHICS HELP TO VISUALISE **RELATIONSHIPS & STATISTICS** SIMPLY & EASILY

**40%** OF PEOPLE WILL RESPOND BETTER TO VISUAL INFORMATION THAN PLAIN TEXT

- 40% VISUAL LEARNERS
- AUDIO LEARNERS
- TACTILE LEARNERS

**≈ 13 MILLION** RESULTS FOR THE TERM 'INFOGRAPHIC' ON GOOGLE

INFOGRAPHICS **GO VIRAL**

INFO INFO GRAPHIC OF **GRAPHICS**

SOURCES FOR DATA: AROUND 13 MILLION RESULTS FOR THE TERM 'INFOGRAPHIC' ON GOOGLE AS OF 28TH JULY 2011 (<http://www.google.com/trends?q=infographic&stab=0&geo=all&date=all&sort=0>); 40% OF PEOPLE WILL RESPOND BETTER TO VISUAL FORMS OF LEARNING ACCORDING TO (Teaching Students to Read Through Their Individual Learning Styles, Marie Carbo, Rita Dunn, and Kenneth Dunn, Prentice-Hall, 1986, 213); CHART STYLES IN INFOGRAPHICS ACCORDING TO (<http://imgur.com/0Nv1png>); INFOGRAPHIC PRODUCTION INCREASES BY 1% EVERY DAY ACCORDING TO (<http://www.btrebels.com/geek/hankadefacts-about-infographic/>); 90% OF INFORMATION THAT COMES TO THE BRAIN IS VISUAL (<http://www.vistalearningalliance.com/>).

(Source: <http://www.healthcarecommunication.com/Main/Articles/10802.aspx>)

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