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RESEARCH ARTICLE

BOOK RECOMMENDATIONS FROM SOCIAL TRADERS

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Abstract

The purpose of this study was to examine existing interviews conducted by a social trading platform with its social traders. As a signal provider, social traders influence investors who act as signal followers on a social trading platform. Qualitative research was used to gather personal and professional information about the social traders. The sample consisted of 84 social trader interviews on one social trading platform. The research results of this study showed the book recommendations of social traders. In times of influence marketing, this distribution channel can be quite exciting. This small study is part of a larger work that is progressing.

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Introduction:-

The relatively new investment opportunity (Tretinjak, 2019) social trading is based on the idea of a community that exchanges about successful trading strategies, the news from business, politics and developments in the financial markets. The word creation consists of two already known words, the word "social", representative of the community approach or a community, and the word "trading", which stands for the trade or exchange of a good (Posner, 2015). Social Trading platforms combine the trading functionalities of classical online broker services with the communication and interaction features of social networks (Glaser and Risius, 2018) which is an advantage (Reith et al., 2020). Social trading platforms are transparent online markets, where order flow is publicly disclosed. Participants on social trading platforms can be categorized into traders (trade leaders or signal providers) and investors (copiers or signal followers), where the former execute unique trades and manage the funds allocated to them by the latter in return for compensation (Gemayel and Preda, 2018). Social trading networks provide access to hedge funds-like returns, but in contrast offer a high transparency, liquidity and accessibility (Neumann et al., 2013). Signal providers are grouped to certain career levels, which represent a track record calculated with the help of certain performance and risk variables. However, the motivation for signal receivers to go on social trading platforms should be the high transparency and simplicity to invest amongst others (Deneke, 2019). (Lee and Ma, 2018) propose a ranking mechanism with three measures (performance, risk and consistency) to address expert traders who exhibit an exceptional and consistent performance for investors to follow. Traders communicating actively to investors via public comments attract higher inflows (Röder and Walter, 2019), but primarily small investors rely on social interaction (Ammann and Schaub, 2016).

The present study:

The aim of this study is to gain more insight into the education background of social traders and to learn how much of their knowledge social traders share with social followers. In this small study, we focus on reading habits. That is why we analyzed the book recommendations of interviewed social traders. The results of this study can be used for further studies on social trading and social influence. The research questions were:

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1. How many of the social traders interviewed made one or more book recommendations?
2. Which book recommendations were most frequently mentioned?

Methodology:-

Participants:

The interviewed participants were social traders on the social trading platform *wikifolio.com* which started in 2012. The selected social traders followed following criteria:

1. The social traders live and work in German-speaking countries.
2. The social traders were asked the question about the book recommendation.

The sample consisted of 84 interviews with social traders. The use of an interview guide ensured the quality of the analysis.

Procedure:

Initially, a large number of interviews were examined with the help of a software program designed for computer-assisted qualitative data on frequently occurring questions. The question about book recommendations was used very often and was chosen as evidence that social traders give tips to social followers.

Results:-

66 out of 84 interviewed social traders made one or even more book recommendation. In 18 cases of the surveys, the opinion was that a book recommendation would not be possible. The reason was often that one should trust one's own experience.

Table 1:- Summary of recommended books.

Book recommendations of interviewed social traders	
Number of answers	Author (or book about the author)
13	Warren Buffett
12	--
11	Benjamin Graham
9	André Kostolany
4	Peter Lynch
4	Jack Schwager
4	Michael Voigt
3	Susan Levermann
3	Jesse Livermore

Conclusion:-

The present study investigated the book recommendations of social traders in German-speaking countries. The majority of the participants voted for the masters of the investment paradigm "value investing". In addition to Warren Buffett, who is currently the third richest person in the world, this is also Benjamin Graham, who is known as "the father of value investing". Together with the next-named André Kostolany, all three people are both very successful long-term investors and book authors who like to share their knowledge with other people.

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