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# Search-Based Peer Firms: Aggregating Investor Perceptions Through Internet Co-Searches

by Charles M.C. Lee, Paul Ma and [Charles C.Y. Wang](#)

## Abstract

Applying a "co-search" algorithm to Internet traffic at the SEC's EDGAR web-site, we develop a novel method for identifying economically-related peer firms and for measuring their relative importance. Our results show that firms appearing in chronologically adjacent searches by the same individual (Search-Based Peers or SBPs) are fundamentally similar on multiple dimensions. In direct tests, SBPs dominate GICS6 industry peers in explaining cross-sectional variations in base firms' out-of-sample: (a) stock returns, (b) valuation multiples, (c) growth rates, (d) R&D expenditures, (e) leverage, and (f) profitability ratios. We show that SBPs are not constrained by standard industry classification, and are more dynamic, pliable, and concentrated. We also show that co-search intensity captures the degree of similarity between firms. Our results highlight the potential of the collective wisdom of investors—extracted from co-search patterns—in addressing long-standing benchmarking problems in finance.

**Keywords:** [peer firm](#); [EDGAR search traffic](#); [revealed preference](#); [co-search](#); [industry classification](#); [Data and Data Sets](#); [Search Technology](#); [Internet](#); [Mathematical Methods](#); [Corporate Finance](#);

Language: English Format: Print 58 pages [SSRN Read Now](#)

## Citation:

Lee, Charles M.C., Paul Ma, and Charles C.Y. Wang. "[Search-Based Peer Firms: Aggregating Investor Perceptions Through Internet Co-Searches.](#)" Harvard Business School Working Paper, No. 13-048, November 2012. (Revised September 2013, March 2014, June 2014, July 2014.)

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**Citation:**

Lee, Charles M.C., Paul Ma, and Charles C.Y. Wang. "[Search-Based Peer Firms: Aggregating Investor Perceptions Through Internet Co-Searches.](#)" *Journal of Financial Economics* 116, no. 2 (May 2015): 410–431. [View Details](#)

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