

OVERHEARD

For Wall Street Analysts, It's Location, Location, Location

New research shows that analysts are unduly influenced by what is going on close to home



The parking lot of a Home Depot store in Wilmington, N.C.

PHOTO: JASON MOORE/ZUMA PRESS

By [Justin Lahart](#)

Nov. 15, 2019 2:36 pm ET

Groups of people are often better at figuring things out together than alone. But the wisdom of the crowd can get dumbed down when everybody in the crowd has the same perspective.

That can be a problem for Wall Street analysts, [new research](#) from the University of Kentucky's William Gerken and Saint Louis University's Marcus Painter shows.

To start with, the two professors analyzed satellite imagery of retailers' parking lots. The finding: The fuller a retailer's lots were, the better its sales tended to be. Unsurprising.

But then they matched where individual retailing analysts worked with the parking-lot data, and found that analysts tended to place too much weight on what they saw locally. So if the [Home Depot](#) parking lots in an analyst's area were relatively empty, but they were full elsewhere in the country, the analyst's sales estimate was typically too bearish.

Markets

A pre-markets primer packed with news, trends and ideas. Plus, up-to-the-minute market data.

PREVIEW

SUBSCRIBE

That wouldn't be a problem if retailing analysts were evenly distributed throughout the country. But many of them live and work in the New York metropolitan area. They should really get out more.

Write to Justin Lahart at justin.lahart@wsj.com

Copyright © 2020 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.