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Firm offers real-time data at a bargain

By: David Roeder

Chicago-based Barchart.com is in a crowded and very confusing business. People who are frequent traders of stocks and futures need data. The more they trade, the more they are inclined to pay for real-time data feeds and analytical tools that are easy to set up. Many big companies vie for this business, starting with Bloomberg at the ultra-high end and the terminals it rents for about \$1,800 a month.

Playing in the same league is Thomson Reuters (TRI), which uses a la carte pricing to undercut Bloomberg. You don't have to pay for foreign currency data, for example, if you're not interested in that. But Thomson Reuters services still can cost hundreds of dollars a month.

Other services use free content to bring users to ad-supported websites, where they also hope to sell premium data packages. Examples include Yahoo's (YHOO) finance section, and the MarketWatch product of Rupert Murdoch's News (NWSA). They are cheaper but not always tailored to markets beyond equities.

What if you don't want to be hundreds of dollars in the red each month before executing a single trade? Barchart.com is an alternative.

It's tiny compared with the competition. Barchart President Eero Pikat, a Rogers Park native with a master's in information technology, said the company employs just under 40 people and has annual revenue between \$10 million and \$20 million.

Pikat said individual traders can get a full range of real-time prices from Barchart.com for about \$100 a month plus exchange fees. But he has a secret to share. "We really offer an incredible amount of stuff for free," he said.

Freebies at Barchart will satisfy traders who don't mind prices that are 10 to 15 minutes old. The company offers a free early morning newsletter with actionable tips on the stock market. Drilling into a specific stock will get you buy and sell signals from technical sources. Barchart includes trading signals for future contracts, a rarity for a free website.

Many financial websites bypass futures or treat them secondarily. But given its Chicago heritage, Barchart has made futures its focus. Last month, it revamped the website to introduce tools for futures analysis, including displays of the most volatile contracts each day and a check of federal regulatory reports that shows whether different classes of traders are buying or selling.

But as I said, the business is confusing. How do you make money on giveaways?

Pikat said the company pursues four revenue sources: ads on the free site, subscriptions for newsletters, payments from other businesses that post its data on their own sites and fees from traders for the real-time data. He said clients include Chicago exchange owner CME Group (CME) and the brokerage unit of Wells Fargo (WFC).

Visitors to Barchart need to watch their typing. Enter Barcharts.com and you go to a Florida manufacturer of laminated study guides and flash cards. Pikat said he's visited the company and that it feels it has too much invested in the name to relinquish it. There's also Bigcharts.com, a MarketWatch stock website that lacks the functionality of Barchart.

The company payroll has doubled in the last four years, Pikat said. The website dates from 1995, but the company gained momentum when it acquired the respected Commodity Research Bureau from Bridge Information Systems in 2001. CRB publishes a data book on commodities prices that Barchart is converting to interactive formats.

One hole in the company's product line is equity options. These are a problem for anyone who takes them on, because one stock can have dozens of permutations in call and put contracts. The data load has been known to crash computers. "We'll probably get into it soon," said Marketing Director Mark Haraburda. "But it's a very expensive proposition."

If business has learned anything about technology, it's that it requires constant investment. Barchart is doing fine within its niche, but it must be fleetier than rivals that count revenue by the billions of dollars.