

## Direct stock purchase plans using batch trades: Do investors buy high and sell low?

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### Abstract

Direct stock purchase plans offer low trading costs. However, some plans batch orders and execute trades once per week. If prices spike during batch buying, or plummet during batch selling, low trading costs may be offset by unfavorable prices. This study examines daily high and low stock prices for companies whose plans require batch trades once per week. Results suggest that not a single company has higher or lower stock prices on any trade day of the week. Therefore, investors can use these plans without concern that they will buy high and sell low. © 2012 Academy of Financial Services. All rights reserved.

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### 1. Introduction

Direct stock purchase plans offer investors an inexpensive way to accumulate stock over time using a process commonly known as dollar-cost-averaging. Dollar-cost-averaging assumes small, steady investments are made over an extended period of time. Direct stock purchase plans are ideal for this type of investing because fees and commissions are usually lower than for mutual funds, full service brokers, or even discount brokers. Although Scholes and Wolfson (1989) show that at one time direct stock purchase plans did offer highly profitable discounts on purchases, most plans today do not offer these discounts. The

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advantages of direct stock purchases today appear by comparing the plans to mutual fund purchases. DeGennarro (2003) says that direct stock purchase plans today are better than mutual funds in three ways. First, by not charging management fees, direct purchase plans allow all earnings to accrue to the investors, unlike the case for mutual funds. Second, by allowing investors to choose each investment in their portfolio, direct purchase plans give investors the opportunity to more efficiently diversify portfolios than if their funds were put into a mutual fund. Third, by allowing the investor to determine the timing of buy and sell decisions for each investment, direct purchase plans allow for more efficient tax management than does a mutual fund. In addition, direct stock purchase plans have an advantage over discount brokers because transaction fees per purchase, after a nominal setup fee, are usually lower for direct stock purchase plans than those from discount brokers. However, direct stock purchase plans might have some disadvantages.

Direct stock purchase plans have two potential disadvantages. First, direct stock purchase plans do not usually permit trades by telephone or the Internet. Direct purchase investors must send by regular mail a signed hard copy order to buy or sell shares, along with a check or direct debit authorization. Mail and administrative delays therefore do not permit quick trades so that taking advantage of temporary price spikes or plummets cannot be part of a direct investment strategy. Second, some direct purchase plans use a batch trade method, accumulating buy orders over several days and executing them in the open market on a single day of the week. If the batch method results in a market price spike on the buy day, some or all of the direct stock purchase cost advantages could be offset by purchases at high prices.

The focus of this article is to determine if buying stock using direct purchase plans that employ a batch trading method with weekly trades result in relatively higher purchase prices. In addition, because direct stock purchase plans that call for purchases one day per week also allow sales on the same day, this study also seeks to determine if direct purchase plan investors sell at lower prices than those existing on other days of the week. If direct purchase plan investors using the batch method do not on average buy high and sell low, then this potential disadvantage may not exist.

This study is similar to a study by Jain (2006) in which he finds a statistically significant price jump on the execution day for direct purchase plans batching for a single trade each month. Jain (2006) looks at a group of direct purchase plans. The price jump is so small that it would likely be inconsequential and not enough to outweigh the lower fees available from direct stock purchase plans. However, in dealing with a group of firms, his study does not report on individual company direct purchase plans. In addition, his study does not look at companies that batch orders for trade once each week. Therefore, this study expands the research in Jain (2006) by looking at companies one at a time whose plans call for a batch trade once per week to determine if investors using any of those plans buy at the weekly high price or sell at the weekly low price.

Daily stock price data in this study are from every company using Wells Fargo Share-owner Services as the plan administrator and whose plan calls for a single batch trade each week. Data for each company are put through a separate analysis to see if trade day highs or lows differ substantially from other trade days of the week. A one-way analysis of variance (ANOVA) technique is a test for differences in daily stock price means, and the Kruskal–Wallis procedure is a test for differences in daily stock price medians. Stock price data go

back to the date of the prospectus for each company, which is from three months to three years. Results from applying the ANOVA techniques and Kruskal–Wallis tests suggest that stock prices are the same for all trade days of the week. This finding applies to all companies in this study. The conclusion is that direct stock purchase plans using batch trades once each week may not have the disadvantage of forcing investors to buy at a high price or sell at a low price.

The article proceeds with a review of the literature on stock purchase plans. A discussion of the methodology follows in a separate section, after which is a section describing the data and another section presenting the results. The article ends with a section with some conclusions and suggestions for further research.

## **2. Literature**

The research literature explores direct stock purchase plans from many different perspectives. Pettway and Malone (1973), Brigham, Mayo, and Branch (1974), and Baker, Khan, and Mukherjee (2002) explore the justification for direct purchase plans and find that investors benefit from lower purchase fees and commissions, as well as more stable stock prices, while companies gain additional long-term investors. Fredman and Nichols (1982), Tamule, Bubnys, and Sugrue (1993), Mukherjee, Baker, and Hingorani (2002), and DeGennaro (2003) explore the ability of direct purchase plans to raise new capital and find that direct purchase plans raise new equity capital at a lower cost and avoid the drop in stock price that usually occurs with selling a large block of shares in an underwriting. After some plans began to allow new investors to make stock direct purchases and some also began to offer purchase discounts, Scholes and Wolfson (1989) document abnormal profits from using purchase discounts, while Dammon and Spatt (1992) compare the discounts to options worth approximately the value of the discount. Justification for the elimination of plan discounts is in Bierman (1997), who points to the wealth transfer discounts give to new shareholders from existing shareholders. Bernheim (1991) explores the theoretical impact of direct purchase plans on company value and suggests that plans raise company value. However, Saproschenko (1998) finds no empirical evidence that plans increase company value. The impact of taxes on dividend reinvestment participation rates in the United States is in Chang and Nichols (1992) and Lyroudi (1999), who find evidence that a temporary tax deferral for reinvesting dividends increases participation rates. Chan, McColough, and Skully (1995) also find an increase in participation rates for companies in Australia when reinvesting dividends provides a tax credit.

Only one study examines the influence plans have on stock price. Jain (2006) studies the impact that direct stock purchase plans have on stock prices and trading volume when plans call for batch trades. The study examines companies with plans calling for one trade day per month and companies with plans calling for two trade days per month to see if prices spike on batch trade days. Results show no changes in stock prices when plans call for two trades per month, but show an average one-half percentage increase in stock prices on the trade day for firms with one trade day per month. Jain (2006) does not examine companies whose plans call for one trade per week, and does not examine one company at a time. The next section

describes the methodology to accomplish the task of examining direct stock purchase plans that call for one trade day per week, one company at a time.

### 3. Methodology

The methodology for this study of direct stock purchase plans with one trade day per week involves statistical analyses to determine whether or not stock prices are significantly higher or lower on the weekly batch trade day than on other trading days of the week. The high prices for the day constitute the data rather than closing prices because batch trading could spike prices during the day and retreat by the close of trading. Trading days are regular business days, Monday through Friday. The batch trade day is one of the regular business days. A one-factor ANOVA technique compares more than two means and is a useful test to find if any trade day in the week has an unusually high average price. The null and alternative hypotheses are:

$$H_0: \mu_{1pc} = \mu_{2pc} = \mu_{3pc} = \mu_{4pc} = \mu_{5pc} \text{ and}$$

$$H_a: \text{not all } \mu\text{'s are equal.}$$

The stock price means,  $\mu_1$  through  $\mu_5$ , represent means for each day of the week, Monday through Friday, respectively. The subscript  $p$  represents either price highs or lows and indicates that the technique uses high prices in one analysis, then low prices in another analysis. The subscript  $c$  represents an individual company, showing that each company has a null and alternative hypothesis that requires a separate analysis.

The one-factor ANOVA is a test for equality across more than two means that requires compliance with three assumptions according to Kvanli, Pavur, and Keeling (2003). First, the observations from each population must be independent and random. Using data consisting of the population of observations going back to the date of each company's direct stock purchase plan prospectus should result in compliance with the first assumption. Second, observations from each population need to follow an approximately normal distribution. Using an Anderson–Darling test to examine normality should determine compliance with the second assumption. Third, the normal populations require a common variance. The Levene's test should determine compliance with the third assumption. The Anderson–Darling and Levene's tests use data from each company.

Because the ANOVA  $F$  test is invalid unless company daily stock price data have nearly normal distributions and equal variances, another test is useful, the Kruskal–Wallis, to compare daily stock price medians. The assumption of normality is not necessary for the Kruskal–Wallis test and it is less sensitive to unequal variances. The Kruskal–Wallis in this study is a test to reject identical probability distributions of the price data by comparing daily median stock prices. The null and alternative hypotheses for this study are:

$$H_0: \eta_{1pc} = \eta_{2pc} = \eta_{3pc} = \eta_{4pc} = \eta_{5pc} \text{ and}$$

$$H_a: \text{Not all the } \eta\text{'s are equal.}$$

Table 1 Firm characteristics

Company	Mkt cap	Beta	Industry	Price	Volume
Black Hills Corporation	\$ 1.2	1.04	Electric utilities	\$28.50	341,155
Edison International	\$ 12.6	0.66	Electric utilities	\$34.23	2,542,697
General Mills, Inc.	\$ 23.9	0.19	Processed and packaged goods	\$33.59	5,766,023
Johnson Controls, Inc.	\$ 28.7	1.86	Auto parts	\$28.90	5,829,219
Kellogg Company	\$ 20.0	0.48	Processed and packaged goods	\$52.36	2,376,669
McCormick & Company, Inc.	\$ 6.6	0.40	Processed and packaged goods	\$38.65	763,530
MDU Resources Group, Inc.	\$ 4.3	1.23	General building materials	\$38.60	766,457
Merck & Co. Inc.	\$109.8	0.60	Drug manufacturers—major	\$35.87	15,518,539
PPL Corporation	\$ 16.2	0.48	Electric utilities	\$26.62	5,412,978
Southwest Gas Corporation	\$ 1.8	0.73	Gas utilities	\$38.74	179,798
Wells Fargo & Company	\$151.6	1.49	Money center banks	\$29.12	40,065,204
Xcel Energy	\$ 11.9	0.37	Electric utilities	\$24.07	2,255,859

*Notes:* *Company* is every corporation with Wells Fargo Shareowner Services as their direct stock purchase plan administrator using one batch trade per week. *Mkt cap* is market capitalization in billions. *Beta* is the monthly stock market price change relative to the monthly price change of the S&P 500 for 36 months. *Industry* is the business activity producing the company's primary revenue source. *Price* is the mean high daily stock market price using all full weeks of data since the date of the direct stock purchase plan prospectus. General Mills, Inc.'s stock price accounts for a 2-for-1 stock split. *Volume* is the average daily volume of shares for all full weeks of data since the date of the direct stock purchase plan prospectus. Data are from www.finance.yahoo.com as of July, 2011.

The medians,  $\eta_1$  through  $\eta_5$ , are from stock prices for each day of the week, Monday through Friday, respectively. The subscript  $p$  represents either stock price highs or stock price lows and shows that hypotheses apply once to stock price highs and once again to stock price lows. The subscript  $c$  represents an individual company and indicates that the Kruskal–Wallis hypotheses apply to each company in a separate analysis.

#### 4. Data

Data for this study consist of daily stock price information on all companies whose direct stock purchase plans call for a batch trade one day per week and whose transfer agent is Wells Fargo Shareowner Services. The daily stock price information is from the Stock Screener tool on the finance.yahoo.com Web site. In total, 12 companies qualify for this study. Company names and other information appear in Table 1.

Table 1 shows that companies vary by market capitalization, beta, industry, average stock price, and the daily trading volume of shares. The *Mkt Cap* column shows that market capitalization ranges from \$1.2 billion for Black Hills Corporation to \$151.6 billion for Wells Fargo & Company, suggesting the size range of the companies in the study. The *Beta* column shows that company betas range from 0.19 for General Mills, Inc., to 1.86 for Johnson Controls, Inc., showing the range of market risk for companies in this study. The betas are a measure of company monthly stock price changes for the previous 36 months relative to monthly price changes in the Standard & Poor's 500 Index. The *Industry* column is an industry classification that varies among seven different categories for the 12 companies in

Table 2 Plan characteristics

Company	Date of prospectus	Setup fee	Initial purchase	Optional purchase	Trade day
Black Hills Corporation	5/6/2008	None	\$ 250	\$25	Wednesday*
Edison International	11/7/2008	\$15	\$1,000	\$25	Thursday*
General Mills, Inc.	5/20/2008	\$10	\$ 250	\$50	Wednesday*
Johnson Controls, Inc.	12/1/2008	\$10	\$ 250	\$50	Wednesday*
Kellogg Company	7/13/2009	\$10	\$ 50	\$25	Friday*
McCormick & Company, Inc.	11/28/2008	\$10	\$ 500	\$50	Tuesday*
MDU Resources Group, Inc.	11/21/2008	None	\$ 250	\$25	Tuesday*
Merck & Co. Inc.	12/7/2009	\$10	\$ 350	\$50	Tuesday*
PPL Corporation	9/8/2010	\$15	\$ 250	\$25	Friday
Southwest Gas Corporation	2/15/2011	None	\$ 250	\$50	Friday
Wells Fargo & Company	11/17/2009	\$10	\$ 250	\$25	Thursday*
XCEL Energy	10/20/2010	\$15	\$ 250	\$25	Friday

*Notes:* *Company* is every corporation using Wells Fargo Shareowner Services as their direct stock purchase plan administrator and requiring one batch trade per week. *Date of Prospectus* is the date of the direct stock purchase plan prospectus. *Setup Fee* is the initial fee to establish a direct stock purchase plan. *Initial Purchase* is the minimum initial stock purchase to set up a plan. *Optional Purchase* is the minimum purchase amount for additional shares after the initial purchase. *Trade Day* is the day of each week on which both stock purchases and sales take place. An asterisk next to a trade day indicates a firm that uses the day of its cash dividend as its batch trade day for any week a dividend payment day differs from a regular batch trade day.

the study, and suggests an absence of industry concentration. The *Price* column has the average daily high stock price for each company since the first full week after the date of the direct stock purchase plan prospectus, and shows a range of from \$24.07 for Xcel Energy to \$52.36 for Kellogg Company. Finally, the *Volume* column is the average daily trading volume of shares, and varies from a low of 341,155 for Black Hills Corporation to a high of 40,065,204 for Wells Fargo & Company. Average daily volume provides a measure of liquidity.

Some characteristics of each company's direct stock purchase plan appear in Table 2. The characteristics include: company name; the date of the direct stock purchase plan prospectus; the setup fee to begin a new purchase plan; the initial purchase minimum; the optional purchase minimum; and the weekly batch trade day. The *Date of Prospectus* column shows plan start dates ranging from 2008 through 2011, with half of the plans starting in 2008. The *Setup Fee* column shows that three companies have no fee, six companies have a \$10 fee, and three companies have a \$15 fee. The *Initial Purchase* column has the minimum purchase necessary to enroll in a plan. Initial purchase minimums are \$250 for eight of the companies, but range from as low as \$50 to as high as \$1,000. The *Optional Purchase* column shows that minimums for optional additional purchases are either \$25 or \$50, with seven companies having a \$25 minimum, and five companies having a \$50 minimum. The *Trade Day* column shows that the weekly batch trade day is Tuesday, Wednesday, Thursday, or Friday, with no company using Monday. Three companies use Tuesday, three companies use Wednesday, two companies use Thursday, and four companies use Friday. Companies with an asterisk by their trade day make an exception to this day in any week in which they pay dividends and the payment day differs from the normal batch trade day. For those companies, when

Table 3 Descriptive statistics for high stock prices

Company	Monday	Tuesday	Wednesday	Thursday	Friday
Black Hills Corporation					
<i>Mean</i>	28.51	<b>28.52</b>	<u>28.48</u>	28.51	28.49
<i>Median</i>	29.63	29.64	<u>29.55</u>	<b>29.99</b>	29.58
Edison International					
<i>Mean</i>	<b>34.28</b>	34.23	34.20	<u>34.22</u>	34.21
<i>Median</i>	34.08	<b>34.18</b>	33.99	<u>34.00</u>	33.95
General Mills, Inc.					
<i>Mean</i>	33.55	33.60	<u>33.59</u>	<b>33.65</b>	33.56
<i>Median</i>	34.69	34.54	<u>34.74</u>	<b>34.96</b>	34.66
Johnson Controls, Inc.					
<i>Mean</i>	28.86	28.81	<u>28.85</u>	<b>29.03</b>	28.94
<i>Median</i>	28.72	29.00	<u>28.80</u>	<b>29.13</b>	28.80
Kellogg Company					
<i>Mean</i>	52.34	52.36	52.38	<b>52.42</b>	<u>52.30</u>
<i>Median</i>	52.70	52.74	52.79	52.70	<b>52.80</b>
McCormick and Company					
<i>Mean</i>	38.59	<u>38.62</u>	38.61	<b>38.74</b>	38.67
<i>Median</i>	38.00	<u>38.00</u>	38.33	38.30	<b>38.38</b>
MDU Resources Group, Inc.					
<i>Mean</i>	38.53	<u>38.54</u>	38.55	<b>38.75</b>	38.63
<i>Median</i>	37.99	<u>37.89</u>	38.24	38.30	<b>38.37</b>
Merck & Co., Inc.					
<i>Mean</i>	35.86	<u>35.93</u>	35.91	35.86	35.76
<i>Median</i>	<b>36.11</b>	<u>36.05</u>	35.95	35.79	35.94
PPL Corporation					
<i>Mean</i>	26.56	<b>26.64</b>	26.63	26.61	<u>26.64</u>
<i>Median</i>	26.52	<b>26.86</b>	26.75	26.73	<u>26.73</u>
Southwest Gas Corporation					
<i>Mean</i>	38.75	38.77	38.70	38.65	<b>38.81</b>
<i>Median</i>	38.79	38.79	38.66	38.69	<b>38.87</b>
Wells Fargo & Company					
<i>Mean</i>	<b>29.13</b>	29.11	<b>29.13</b>	<u>29.11</u>	29.10
<i>Median</i>	28.48	28.52	<b>28.58</b>	<u>28.49</u>	28.48
Xcel Energy					
<i>Mean</i>	24.08	24.07	24.05	24.05	<b>24.10</b>
<i>Median</i>	24.03	23.95	23.92	<b>24.04</b>	<u>23.99</u>

*Notes:* Company is every corporation with Wells Fargo Shareowner Services as their direct stock purchase plan administrator using a weekly batch trade. *Mean* and *Median* are statistics from every full week of daily stock price highs going back to the plan prospectus date. An underline indicates the company's regular day to batch trade, and bold recognizes the highest means and medians for each company.

dividend payments occur on a day other than a normal batch trade day, the dividend payment day becomes the batch trade day. Appropriate adjustments exist in the data for these companies.

Descriptive statistics for the high stock prices of each company in the study appear in Table 3. Statistics for low stock prices are not in the article to conserve space. The mean and the median of each business day's high stock price appear for each company. The highest mean and the highest median for the week are in bold. Means and medians with a line beneath them indicate the company's batch trade day. By comparing statistics in bold to

Table 4 High stock price ANOVA results

Company	Total df	F	p-value
Black Hills Corporation	792	0.00	1.00
Edison International	665	0.01	1.00
General Mills, Inc.	782	0.02	1.00
Johnson Controls, Inc.	651	0.02	1.00
Kellogg Company	493	0.03	1.00
McCormick & Company, Inc.	651	0.01	1.00
MDU Resources Group, Inc.	655	0.03	1.00
Merck & Co. Inc.	390	0.11	0.98
PPL Corporation	203	0.04	1.00
Southwest Gas Corporation	91	0.10	0.98
Wells Fargo & Company	404	0.00	1.00
XCEL Energy	173	0.09	0.99

*Notes:* *Company* is every corporation having Wells Fargo Shareowner Services as a direct stock purchase plan administrator and using one batch trade per week. The null hypothesis is that daily high stock price means are equal. *Total df* is total degrees of freedom. *F* is the ratio of the mean square of the factor to the mean square of the error. The *p-value* is the largest significance level for which the null hypothesis is believable. When *p-value* is greater than 0.10, the null hypothesis is believable.

those with a line beneath them for each company, it is possible to see that the highest means and medians rarely coincide with a batch trade day. Only two high stock price means and two high stock price medians fall on a batch trade day. Southwest Gas Corporation is the only company with a mean and median that both fall on the same day as its batch trade day. Therefore, it is unlikely that many companies will have significantly higher stock prices on their batch trade day than on the other trading days of the week.

The extent of normality in the distributions of daily high stock prices for each company is evident from applying the Anderson–Darling test. Anderson–Darling tests, although not appearing in any table, provide evidence that no company has high stock price data that follow a normal distribution. In addition, the extent of equality in variances for the distributions of the daily stock prices for each day is evident from applying Levene’s test. Levene’s tests on the daily high stock price data of each company, although not appearing in any table, fail to reject the null hypotheses of equal variances, with all *p-values* exceeding 0.8. Therefore, although the variances of the distributions may be equal, the price distributions may not be normal, which supports using both parametric and nonparametric tests to determine if stock prices are significantly higher or lower on the batch trade day relative to prices on the other trade days of the week.

## 5. Results

The results from testing the null hypotheses of equality in means and medians are in Tables 4 and 5. Table 4 contains the parametric ANOVA test results and Table 5 contains the nonparametric Kruskal–Wallis test results.

Table 4 shows the results from applying the ANOVA technique to the daily high stock prices of each company. The null hypothesis, which applies to each company, is that the

Table 5 High stock price Kruskal–Wallis results

Company	Overall N	H	p-value
Black Hills Corporation	792	0.03	1.00
Edison International	666	0.20	0.99
General Mills, Inc.	783	0.12	1.00
Johnson Controls, Inc.	652	0.07	1.00
Kellogg Company	494	0.13	1.00
McCormick & Company, Inc.	652	0.04	1.00
MDU Resources Group, Inc.	656	0.11	1.00
Merck & Co. Inc.	391	0.74	0.95
PPL Corporation	204	0.16	1.00
Southwest Gas Corporation	92	0.40	0.98
Wells Fargo & Company	405	0.02	1.00
XCEL Energy	174	0.60	0.96

*Notes:* *Company* is every corporation having Wells Fargo Shareowner Services as a direct stock purchase plan administrator and using one batch trade per week. The null hypothesis is that median stock prices are equal for every business day of the week. The *Overall N* is the sum of all observations. *H* is the Kruskal–Wallis statistic after adjusting for ties. The *p-value* is the largest significance level for which the null is believable. When *p-value* is greater than 0.10, the null hypothesis is believable.

mean daily high stock price is the same for all five trading days of the week. The alternative hypothesis rejects the null in support of at least one mean being substantially different from the others. The null hypotheses remain plausible for every company. All companies have very low *F*-statistics corresponding to very high *p*-values, which fail to support a rejection of any null hypothesis. This suggests that for all 12 companies in this study, the high stock price means on the batch trade days are no different than those for the other trading days of the week.

Table 5 shows results from using a Kruskal–Wallis nonparametric test on the daily high stock price data of each company in the study. The null hypothesis is that the median high stock price for each day of the week is the same. The alternative hypothesis is that at least one median is different. Here again, the null hypothesis is not thrown out for any company. The Kruskal–Wallis test statistic, *H*, is so low even after adjusting for ties, and corresponding *p*-values are so high, that there is little evidence to suggest unequal median stock prices on the different trading days for any company. For every company in the study, the median high stock price appears to be the same for every trading day of the week.

Additional tests using daily stock price lows explore whether or not sales through any plan are likely to result in lower prices because of the batch trades. The null hypothesis is that mean daily stock price lows for each trade day of the week are the same, and the alternative hypothesis rejects the null in support of at least one mean being substantially different from the others. Although results do not appear in a table, the ANOVA technique using the daily low stock price of each trading day shows that all companies have very low *F*-statistics that correspond to very high *p*-values. This strongly suggests not rejecting the null hypotheses of equal daily low stock price means. For every company, mean low stock prices appear to be the same for each day of the week, including the particular day of the week on which a company's plan specifies as the batch sell day.

In addition, Kruskal–Wallis nonparametric tests compare the daily low stock price me-

dians of the weekly trading days for each company. The null hypothesis is that low stock price medians are the same for each day of the week, with the alternative hypothesis being that at least one median is different. Here again, results support not rejecting the null hypotheses for any company. Although the results do not appear in a table, the Kruskal–Wallis test statistic,  $H$ , is so low even after adjusting for ties, and corresponding  $p$ -values are so high, that there is little evidence to suggest unequal low price medians exist across the trading days of the week for any company. The median of low stock prices appears to be the same on every trade day of the week, regardless of the day a company plan designates as the day to sell, and this applies to all companies in this study.

## **6. Conclusions**

This study of direct stock purchase plans using weekly batch trades contains no evidence to suggest that a batch trade on a particular day of the week results in either a higher price to buy, or a lower price to sell. Stock prices are no higher, nor are they any lower, on the day of the week that companies in this study designate for batch purchase or sale orders than on other trading days of the week. The similarity in stock prices from one day of the week to another exists for each of the 12 companies in this study. This is encouraging news for investors.

Investors using any of the direct stock purchase plans from companies in this study can trade stocks and are not likely to pay a higher purchase price, nor are they likely to receive a lower sale price, than prices on the other trading days of the week. In addition to obtaining fair prices, investors can accumulate stock in the companies with a direct purchase plan by setting up an account for a nominal fee, a minimal initial purchase, and add to their initial purchase with even lower minimum optional additional purchases. All these transactions are available with very low fees, if any. Dividend reinvestment is also available with nominal fees, if any. Sales commissions too are small.

Investors should consider several other factors before using direct stock purchase plans. For instance, stock purchases through direct purchase plans are not held at a brokerage account, but instead are held directly by the transfer agent. Therefore, a plan prospectus will usually state that shares do not have insurance from the Securities Investors Protection Corporation (SIPC). However, the plan administrators are the transfer agents, and the SIPC does not insure the transfer agents anyway, making the need for SIPC insurance irrelevant. Therefore, investors should not consider the lack of SIPC insurance a disadvantage of direct stock purchase plans. In addition, direct purchase plans might frustrate investors eager to take advantage of a market break because the weekly batch order system usually does not accommodate immediate market orders, nor does it accommodate limit or stop-loss orders. Investors who want the ability to trade in this manner might consider using a discount or full-service broker.

This study includes all direct stock purchase plans with Wells Fargo Shareowner Services as plan administrator and use the batch trading method to buy or sell stock once per week. However, there are hundreds of other public companies with direct stock purchase plans who utilize other plan administrators, and whose plans may or may not call for batch trades. These

other company plans provide additional research opportunities. Investors should proceed with caution until further research examines the specific company they want to own if that company uses the batch trade method. However, this study supports the conclusion that investors trading stock through one of the direct stock purchase plans in this study, even though trades are only executed once per week, are not likely to buy high and sell low.

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