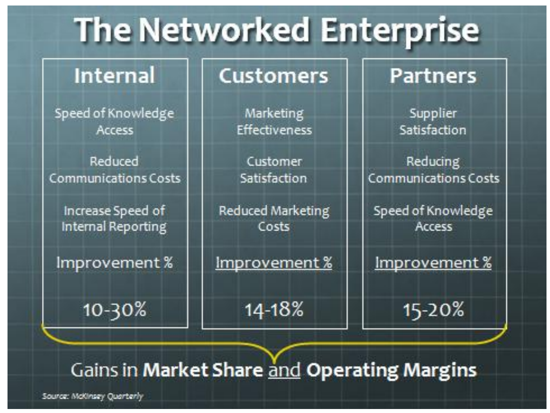
NIRI-TC September 29, 2011 meeting Summary
New Techniques: Applying Social Media to Investor Relations Strategy
By Julia Samsal

Investor Relations communication has come a long way since the adoption of Regulation Fair Disclosure (Reg FD) by the U.S. Securities and Exchange Commission in October 2000—and so has the Internet as a communication channel. At its season opener, the NIRI Twin Cities Chapter had two national IR/social media experts discuss— both in quantitative and qualitative terms— the how and why of social media's emergence as a major communication channel.

Don De Laria, Managing Director of Loyal3, a Web and social media platform enabling public companies to sell stock directly to customers, discussed the variables of trust, market share and brand that result in increased innovation, loyalty and profitability. De Laria presented interesting statistics on just how value creation occurs when a company takes action and becomes a **networked enterprise** through the convergence of technology, marketing and communication.

In a 2010 McKinsey & Co. study of Web 2.0 technologies, the research concluded that a new class of company is emerging—one that uses collaborative Web 2.0 technologies intensively to connect the internal efforts of employees and extend the organization's reach to customers, partners and suppliers. Broken down by their experience and deployment of social media technologies, the study found that highly networked enterprises are 50 percent more likely to experience simultaneous gains in both market share and operating margins.

Social media builds brands—we all believe that, now. Twenty years ago we believed the telephone and Xerox machine were the only channels to monetize and market products. Now, with social media as an omnipresent channel, it is a way to communicate and build a brand—and those brand loyalists are becoming, as De Laria cites from a study by Dr. Michael Valois, Stephen Pendergast and Andrew McClintock, Investomers. They are investors who believe in your company <u>and</u> in your brand.



And vice versa—they are customers who are significantly more likely to remain a customer if they own stock in your company. In fact, they could be as high as 52 percent more likely. Also, Investomers are from 46 percent to as high as 87 percent more receptive to products or services communicated to them by the company they owned.

Integrated communications—a unified collaborative strategy amongst marketing, sales, finance (IR), operations and the C-suite—can capitalize and benefit from what stems from your marketing strategy. Utilizing your marketing assets (video, graphics, techniques, promotions) into your investor relations strategy can add transactional value to your company's investment in social media. Remember that trust will continue to replace attention as the currency of the Web and business. No one—customer or investor—will pay attention if they don't trust you.

At a NIRI Virtual Chapter webinar in April 2010, De Laria predicted that corporate dominance of Web content would continue to fade in favor of social content. Today, Darrell Heaps, co-founder and CEO of Q4, a leader in online investor relations and social media solutions, carries through on that prediction both by examples of improved Web technologies and the number of corporations embedding social media links into their websites.

Those predictions are coming to fruition by improving ROI resulting from increased awareness, improved strategic understanding, elimination of low-value tasks and improved liquidity. Think about it; were these improvements born from Reg FD, SOX and, most recently, Dodd-Frank?

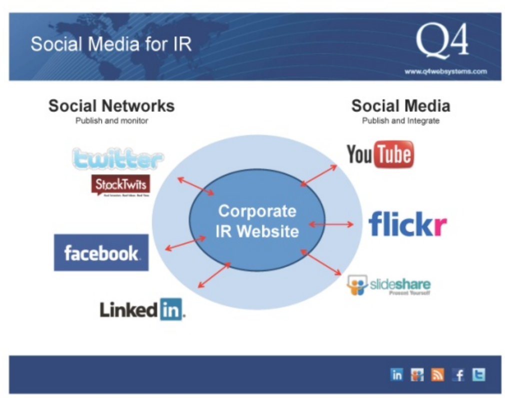
Heaps qualified an example through the eyes of IR social media at Dell. "IROs spend a lot of their time talking about their company on the phone with securities analysts and portfolio managers," said Rob Williams, VP IR at Dell. "Establishing this one-to-many (social media) medium made it a much more efficient way for us to get that information out there to the investor and analyst community."

Williams concludes "that it (social media) actually **enhanced the conversations** that we were having on a follow-up basis because we knew that **we had established a base level of understanding about a particular topic**."

These conversations are happening everyday all day on the Internet and the financial communities are utilizing these channels more and more—financial blogs, Twitter, Linkedin, wikinvest, Google, YouTube, flickr, slideshare. Heaps showed us *quantcast* statistics of the SeekingAlpha Network alone experiences upwards of 3.9 million US monthly readers and 4.9 million globally—fast becoming a mainstream of financial blogging.

Traders are sharing trading information on StockTwits Network where Twitter delivers real-time information and is rapidly replacing the trading floor for Chicago traders—plus a value-add benefit; camaraderie. There are nearly 2 million retail investors on Facebook, 47 percent of retail investors look to the financial websites and blogs for investment advice, 89 percent of journalists are using blogs, 65 percent use social networking, 49 percent of institutional investors read financial blogs. Okay, I'm convinced!

Corporate IR is listening as the adoption of social media for IR has nearly doubled from 2010 to 2011, Heaps cites from a Q4 Whitepaper Research report. He also points out the difference between social networks and social media. Social networks are for publishing and monitoring while social media also is for publishing, but also for integration of the many-to-many conversations.



This is where technology becomes an advantage to the truly **networked enterprise**. The next generation of social integration is embedding social links on corporate websites so visitors (stakeholders) remain on their website, never getting lost in the maze of endless links, creating a one-stop shop for all their information on the company.

So how has this created a level playing field for investors as Reg FD was intended to stop the practice of selective disclosure? Have small cap companies regained the loss of analyst coverage since the adoption of Reg FD, which caused a significant reallocation of information-producing resources?

The answer is not simple, but the result is clear. The "food chain" of communication has changed from a hierarchical trickle down system to a matrix (flattened) system. It is a level playing field—Heaps describes it as "flipped". The prior-to-Reg FD way of communicating information to the masses was the company talked to institutions, then institutions talked to brokers and then the brokers talked to shareholders. The new information food chain flips the communication system into an integrated, engaging, many-to-many real-time information networking channel.

Conveying a consistent message enterprise wide is critical to building and maintaining trust, integrity and brand, both De Laria and Heaps said. Ensuring that your enterprise-wide message is consistent, along with monitoring, lowers your risk of inconsistencies network-wide. Not listening to the Web is the biggest risk for all companies. Monitoring for your company, executives, along with tracking what your competitors are saying is a key element to staying ahead of rumors, misinformation and crisis.

The market doesn't care who in your company publishes content, it's all relevant. Using the Web and social media allows you to maintain a corporate voice in the market, build trust among stakeholders and manage risk. Their advice; start small and evolve over time.

Let us not forget that it is through adversity that we grow—in every challenge, an opportunity. New ideas are best generated through optimistic collaborative behaviors. Optimism is not just a mind set, De Laria says, it's a form of behavior that guides everything we do. Not only is it fulfilling, but it's also highly contagious. Are you the optimist or the pessimist? Either way, live the brand!

Special thanks to the sponsors of this event:

LOYAL3

&

padilla speer beardsley