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Teneo Insights

Leveraging Digital Platforms to Better Connect with Investors

A discussion between Seth Martin and David Lurie, senior members of Teneo's Strategy & Communication Advisory team. Moderated by Kevin Kajiwara.

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Teneo's Seth Martin and David Lurie, senior members of the Strategy & Communications Advisory business, discuss the new media landscape and its impact on investor communication strategies and how businesses and senior executives can leverage digital platforms to reach key investor audiences while maintaining control of their own narratives.

Kevin Kajiwara (KK): I'm Kevin Kajiwara, co-president of Teneo's political risk advisory business and the topic of today's call is investor communications using digital platforms to better connect with investors. I'm joined today by two of my colleagues who are senior members of Teneo's Strategy & Communications Advisory business, Seth Martin and David Lurie. Let me turn it over to Seth to kick it off.

Seth Martin (SM): Thanks Kevin. We're going to talk about the role of digital in investor communications and we thought a good place to start is around the annual report, so I'm going to let my colleague, Dave take the lead on that topic.

Dave Lurie (DL): As we examine the current investor communications landscape, we find that a lot of elements of what we do on a day-to-day basis hasn't changed since the pre-internet era. Essentially, the internet and its ability to enable investors and IROs (investor relations officers) to communicate better with each other has simply not penetrated the techniques of a modern investor relations program. The best example of this is the annual report. If you take a step back for a moment and consider how the annual report in its current form came to be, its structure is still based on an environment where you can only talk to investors once a year using print materials.

It's expensive to produce annual reports – from both a time perspective, to get all of the content together, and then to mail them out – and it starts to become clear that there are much better ways to (and more modern methods by which) to communicate with investors.

If a company decides to take that annual report and implement and infuse certain digital strategies and communicate with investors throughout the year (as opposed to on the traditional limited basis) there are many immediate and positive benefits. For one, you can communicate with them more regularly. Second, it also allows you to communicate with them more specifically; there are some investors that may want to hear exclusively about returns, and there are others that may want to hear about new technologies or management strategy.

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Third, it allows for this digital-enabled feedback loop. This increased feedback and frequent engagement with your investors will ultimately improve your relationships with these important stakeholders and enable you to continue to craft and hone your investor narratives.

Therefore, if we look at the annual report as the vestige of the pre-internet investor communications landscape, it sets the tone for what other messages companies should be bringing into their investor relations programs via digital platforms, that can ultimately improve how they talk with investors.

SM: This “old world” method of communicating with investors (once a year communication with the broad group of investors and slightly more frequently with the institutional investors) is certainly something that many companies still do, and it’s changing very slowly. And this is an example of how investor communications are behind some of the other communications platforms.

Another consideration that is important to introduce at the outset of this conversation is that the relationship between an IRO, a chief communications officer, and a chief marketing officer has changed, in terms of how they communicate. Traditionally, the individuals in those roles may have seen their audiences as separate and unrelated, but a company’s external stakeholders don’t see it that way. External stakeholders see a unified communication from a company and don’t necessarily differentiate between those three channels.

This means that in the context of how people consume news, and how those habits are changing, it becomes much more important for companies (including their IROs, CMOs and CCOs) to understand this changing landscape and more closely examine how digital plays into investor communications. With that, I will let Dave talk in greater detail about the changes we have seen in the media and the ways news is consumed.

DL: The way that investors get their news is changing, and we see two forces driving this new normal. For one, trust centers have decentralized: gone are the days of communicating with two, or three or four top media outlets and having that message trickle down. With the advent of new digital and social technologies, and also with the rise of populism, we’re seeing less and less trust at the top. As a result, what we find is that trust is coming from the middle, and that each and every consumer has different trust centers for different sources of news. In short, it’s much more complicated to communicate with investors compared to previous eras.

Second, there are now simply many more ways to reach people; over 70 percent of people get their news from some sort of feed, whether that be social feeds, email newsletters, or from search itself. This statistic makes clear that companies need to rethink how they are communicating with investors, and ultimately, start to craft bespoke pathways to them.

It’s also important for CFO’s, IRO’s, and CCOs to identity and talk to investors, not as investors, but as people who invest. And I think it’s that distinction that will help companies and their communications teams think about their target audiences in a more wholistic way. A person who invests is also a potential customer, and/or someone that could potentially affect policy, so companies need to think about developing their overall external communications strategies (and how they are organized and communicate internally) around this new paradigm.

Looking at the landscape with this lens in mind, what we often find with our clients is that the CMO tends to do way more “investor relations” than the IRO. The CMO’s generally larger media budget leads to a certain amount of frequency, where they’re reaching a person who invests, who is also likely a consumer, 40 to 50 times more than your average IRO. So the point I want to make here, is that companies need to think about the entire external communications program as broadly as possible and coordinate internally first before going to market.

SM: With that backdrop, the way that we think about that broader view, in terms of digital communications to investors, is that the media landscape obviously changed, and that there are now many more tools for communicating with your broadest audiences. Specifically, companies should be using digital as a tool to elevate what they are probably already doing in terms of communicating with investors in the more traditional ways. Companies are not able to reach investors effectively solely through the traditional channels anymore.

And thinking about the potential alpha through increased engagement (through enhanced relationship with your investors and the feedback loop that we mentioned earlier) those are all ways that digital is going to help companies to reach that audience in a much deeper way than in the past. So that’s the alpha piece of it that we see through digital communications. Now let’s be clear, you can’t use digital to directly drive stock ownership; it may help there, but it’s not something that you can easily measure, however, you can definitely drive more engagement through digital.

With that said, we know that the quality of engagement is important to institutional investors. A recent study by Morrow Sodali ranked the quality of engagement as of high importance to most institutional investors. And in that same study, it was noted that a failure to engage was the most important reason that would lead institutional investors to support an activist.

Thinking about engagement broadly, you certainly want digital to be a tool within your communications arsenal, as it’s crucial to investors’ perceptions of a company. And while the primary ways to engage are the ways that many of companies have been doing for years, (and they remain critical, particularly for institutional investors in terms of meetings, road shows, conferences, etc.) digital becomes a piece of the puzzle that companies can no longer ignore.

Factoring digital into communications is even more important when taking retail investors into account - 30 percent of public company ownership in 2018 was through retail (up from 2017). We know that these shareholders tend to be long holders who vote with management over time. This makes retail investors an important audience for almost every company.

The National Investor Relations Institute (NIRI) published the results of a study a couple years ago, which stated that 77 percent of companies communicate directly with their investors, but that those communications were primarily through press releases and the annual report. Considering that there is no way for a company to know for certain that their investors have read their press releases and/or the once-a-year annual report, that starts to look more and more like scant communications.

In addition to that, the way we think about this is you don’t want to be going door-to-door with melons to appeal to your shareholders - let me explain what I mean by that: In 2015, Samsung was trying to drum up their shareholder vote to pass a merger that Elliott Management was blocking. What happened was company representatives ended up going door-to-door in Korea with watermelons as presents for retail investors to get them to vote for the company and the company's position to get the merger to go through; and it worked. This example is the epitome of very high-touch communication. But the reason I raise the story is that our view is you'd rather have those investors on your side before you get to what I call the "watermelon juncture." Now, I'm going to hand it over to Dave to talk about what digital communications looks like in "war-time" and then we'll come back to what a "peace-time" strategy looks like.

DL: Yes, and I think Seth's point is a good one, which is that it is best to build these relationships and understand your audience in peace-time; it's easier, and investors are typically more receptive. But oftentimes those relationships are not built in peace-time and we're required to build them in war-time. The thing that you have working against you in tumultuous times is the adversaries that you'll typically find in war-time. These adversaries are practiced and battle-tested fighters that not only have a really good sense of how to win activism fights from a traditional sense, but are also employing some really cutting-edge digital tactics as well.

For example, in Bill Ackman's fight against ADP, what we found in a post-mortem of his digital tactics, was that he was using everything from Twitter to owned media, to Facebook, to earned media, to really sophisticated programmatic media. He used a full blitz of both traditional and digital platforms to get out the vote and ultimately win investors over to his way of thinking.

SM: Dave, can you give a couple examples of those specific digital tactics?

DL: For instance, Ackman launched his own Twitter page and while the organic reach of that Twitter page was fairly low, he used paid social (so paid Twitter) to reach influential investors that he was trying to convince to his way of thinking. He also took those messages to programmatic exchanges and banner advertising, and used proprietary data to reach the right kinds of people to, again, win to his way of thinking. I think this multi-touch approach is what sophisticated marketers have been doing, and we're starting to see those sorts of techniques seep into these war-time battles.

And it's not just isolated to someone like Bill Ackman. We're starting to see many, many activist firms start to do this. We've seen LinkedIn campaigns out of Elliott Management, we've seen Twitter campaigns out of Carl Icahn, we've seen sophisticated programmatic targeting techniques out of Trian Securities. Again, this digital approach is not isolated to a couple of firms – it's starting to be commonplace. This means it's always important to try to establish connections and good will with your audience and your investors in peace-time, so you're not scrambling trying to establish those relationships in war-time.

SM: Yes - you just don't want the first communication that your investors are receiving from you in a while to happen during that critical crisis moment - you do want to be regularly communicating in peace-time.

Earnings are a good example of a positive news moment where there is an opportunity to leverage digital communication channels. Beyond a press release, beyond the investor call that you may do, beyond the CNBC appearance that your CEO might do, or your CFO might do, you can also consider using Twitter to send out an infographic on the value you're delivering for shareholders, or doing a short video from your CEO or CFO on what's important for shareholders - whether it's earnings or it's another financial event. You could use LinkedIn to do posts from your executive team on the news they think is most important to communicate to shareholders. You must also make sure to optimize those posts by using the right words and phrases, which will require testing and learning. The nuance of language is very important when companies think about how to speak to investors, particularly in digital; you're going to be writing something that is very short and you're not going to have an annual report to write out your full strategy, so you're forced to present strategy in a much more succinct way.

Another way to leverage digital is setting up a contributor channel on Seeking Alpha, for example, (where a conversation's probably already happening between your investors) and engaging with those investors directly. A lot of companies may not realize how many followers, news and posts they have on Seeking Alpha that tie to their company.

Another powerful way to connect with stakeholders is to start an email newsletter to your investors or look for ways to build your subscriber base on an investor newsletter you're already doing.

I want to underline all of this with the point that none of the aforementioned tactics are worthwhile unless you're reaching your audience. Dave, can you speak about how you do that?

DL: Assuming we have convinced you to start thinking about using digital tactics to reach your investors, the first place to start is exactly where Seth said, how do we reach that audience? And, how does one begin? The best way to do that is with email.

Email is a very easy piece of content to get out and it's also something that investors are quickly and easily able to consume. Take for instance investor presentations; often times in order to sign in for an earnings call or for a big investor presentation, investors or onlookers are required to give their name and email. Often a simple checkbox, saying you would like to be added to an investor email list is enough to grow your organic reach pretty substantially - and I think that's really, really important. An email list enables companies first and foremost to reach their investors directly, but it also starts to yield the kind of data needed to inform paid media campaigns.

The first part of any digital campaign is harnessing the demand that is already there. You already have investors coming to the site, looking to connect with you, etc. They're often times more than happy to receive further communications as long as those communications are quality, important and timely pieces of content.

We always recommend starting with email and starting with inbound demand. After you exhaust growing your audience that way, you want to start to look at first party data that you have internally that may help inform some further studies. Many companies will have a broad list that they use for their annual meeting. We have worked with clients to take that list, take that first party data, and start to append it to emails in a way that is both data-safe and compliant.

SM: To summarize, you should recognize that you're already using digital to communicate with your investors. Your CMO, your CCO, they are already communicating with investors whether you realize it or not, just through the broader communications that the company is doing. Become an expert in your audience as Dave talked about. Activate your digital channels now in peace-time, so the first time investors hear from you isn't during war-time. The easiest way to do so, as Dave just said, is through email.

KK: At the outset of this, you talked a bit about the investor communications function perhaps being a little bit behind other communication elements of companies. And so I'm wondering in the view of all of the technological platforms that we're all hyper-aware of, in addition to the highly-effective activist campaigns that Dave laid out, why has there been such a slow adoption of what you guys are talking about? Can you also touch upon the ROI metrics around employing digital investor communications programs?

SM: So obviously not every company is behind in terms of how they're communicating with investors. But we find broadly that particularly within digital, that channel is being used by marketing first, maybe corporate communications second, and then investor relations is lagging a little bit behind that.

Part of the reason for this is that companies are trying to communicate with their institutional investors first and foremost, and there's tried and true ways of doing that which are highly effective. Getting in front of someone face-to-face is ultimately going to be the best way to communicate with them, to make sure they understand your strategy, and to help prepare you in peace-time for them to be advocates and supporters as the company moves forward. The other thing I'd say is that traditionally, and in most cases that I found, the investor relation teams are small and don't have a ton of resources. These teams have to pick and choose their battles and where they spend time, and that's typically where I think we find the resistance to starting with some new digital strategies within investor relations because the bandwidth isn't there to take that on.

That's why starting with email (as a lot of investor relations teams already have direct email communication with their investors) is a good place to be and to optimize your messaging, and where appropriate, increase the cadence of your communications. Then it can branch out from there, and it can be done at a relatively low price point. We're not talking about investing millions of dollars here. We're probably talking about investing thousands, or tens of thousands of dollars, to get some sort of a return.

As I said earlier, there isn't a way to establish a direct connection with stock ownership unless you are serving your investors directly, which costs money and resources. But I do think that companies are looking for. 'What's that metric that I can use to measure how effective my communications are?' Dave, can you talk about what some of those metrics could be?

DL: There are brand list studies that you can easily conduct that help, that are great proxies for stock ownership. In a recent client example, we ran some paid media messaging to one group and then used this control group; we wanted to see which messages were more likely to drive that non-controlled group to say that they were likely to invest in the company. What we found is that over the course of a small campaign (one month) we could increase someone's likelihood to invest, just by targeting with the right messages, at the right time, on the right platform. This then became a really good test case for us in terms of shaping the messaging leading up to a big investor communication.

The second thing I would say is that we know that there is a direct connection between investors who want to engage and are engaged and their likelihood to invest.

KK: Seth, earlier you talked about the resource constraint. Is there a way companies can think about engaging the marketing function and incorporating that team with the efforts of the communications and investor relations team to help get that messaging out?

SM: With the companies that are successful at this, there are some good connections between the IR department, communications, and marketing. There's an ability to leverage some of the creative resources that a marketing department has, even if it's creating paid advertising that you may run, that's aimed at your investors and is talking about your company strategy. For retail investors, dividend-yielding stocks are extremely important. So, highlighting that kind of dividend yield and the returns to shareholders over time does garner interest from that audience.
You want to use the creative resources where you can and leverage them, if possible, without having to spend extra dollars. I think it's generally important for the communications and marketing teams to be synced up on the company strategy, so that all communications are able to support the company strategy, while also supporting the messages that resonate with investors.

To use another example, a company we've worked with around their email communications to their investors was skeptical that any of the news they were disseminating by email that wasn't directly related to a financial event (earnings, M&A, dividend payment, those kinds of things which was typically what this company had used in the past to blast out over email) would resonate with their investor audience. We talked with them about how they could communicate some of the cool things that the company was doing from a product perspective, that the marketing team was already talking about, that would be interesting to investors. Then we ran a test where we monitored the email that we sent out with this information and the number of clicks on the different pieces of information. We looked at the clicks on the traditional IR-related news, and then some of the news that was more around product innovation and things that this company was doing with their end customers. What we found was that the investors (this was an email targeted directly at investors) were actually clicking on the product innovations content just as much as they were clicking on the financial news.

That test proved that the company could put marketing content out there for their investors (keeping in mind that content should be strategically aligned with where the company is going) and so were able to leverage what the marketing team was already doing.

KK: One of the things that Dave mentioned earlier is the feedback loop with investors. How does digital provide you with more feedback from your investors than you would get otherwise?

DL: When you're communicating with your investors using digital platforms, it sets a sort of "always on" expectation. It creates the impression that you're always communicating with them and that you're also always willing to listen. Social is a great platform for this.

Social is a primary driver of a lot of company communications, and also just news consumption, because it allows the user to talk back. Often times, this is the best way to think about feedback loops because that data is captured in the public feeds that you can read and analyze, and then also interact with, and ask questions of your investors.

Using social platforms is the first way that you can start to get feedback and another simple way is that in every email that our clients send out, we encourage adding the simple question: "What do you think?" or

"How can we help?" By simply asking those questions, it not only leads to some insights and some great feedback from your investors that can further inform your strategy, it also begins to build trust.

SM: The other thing I'd say - that is not just for email but also other forms of investor communications – is to have the communication be personalized, so that it's not just coming from the company, but it's coming from an individual.

KK: What if your company's focus is mainly on communication with institutional investors? How do digital platforms come into play if retail investors aren't the focus?

SM: Statistically, most people are visual learners. So you can use digital platforms very effectively to deliver content in a visual form, whereas traditionally, with institutional investors, they are reading through a 10K, or they're looking through an annual report, or an earnings release and gleaning information that way. But they're also going to learn visually as well, so keep that fact in mind, and that digital is a great platform for that.

In terms of using digital platforms, with institutional investors, let's think about a sell-side analyst, or a buy-side portfolio manager. There's a long-established relationship with that person. There are also people underneath that person who are doing a lot of their work and research and they may be younger employees. They may have a completely different approach to communications than that person at the top. You're not just trying to reach one person within a Vanguard or within a Fidelity, you're trying to reach a wide variety of analysts and PMs, and people who work for those PMs. The way that they consume information is not purely through the 10K that you're asking them to pour over and pull data out of – maybe it's also through the advertisements they're seeing on TV, the advertisements they're seeing on the web, etc. The various types of communications they're seeing from a company, all that is very important, and then I'd go back to what I mentioned at the beginning - that even with institutional investors, engagement with a company is critically important to how they think about that company and ultimately whether they support them, particularly in an activist-type situation. So, the broader the engagement, and the deeper it is, the better results you're going to get from your institutional investors.

We view digital communications platforms as another tool. It's not a replacement for many of the traditional ways you communicate with your institutional investors, but it would be ignoring an easy channel to reach them on if you weren't using digital to communicate with them as well.

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