HOW IS INVESTOR RELATIONS TRENDING ON SOCIAL MEDIA?

By Victoria Geddes, Executive Director*

The adoption of social media by listed corporations as an integral part of their communications strategy has moved in recent years from being a discussion about whether it needs to happen, to when and what form of social media should be adopted. When it comes to communicating with investors, however, many Australian companies have yet to be convinced.

Social Media in the United States

Much of the banner-waving for social media in investor relations has come from the United States where companies have been active in integrating a range of social media tools into their communications armoury. A survey in 2012 suggested that over 60% of public companies in the United States were using Twitter for investor-related material with 65% of companies having a link to their social media pages via their corporate websites.[1]

But caution should be exercised. In late-2012, Netflix became the centre of an SEC investigation when their CEO, Reed Hastings, disclosed private company information on his personal Facebook page, while in an online conversation with some Netflix investors. The subsequent SEC ruling has effectively given the go ahead to companies publishing market-sensitive information through social media, as long as their investors have been informed of which platforms they are using. This decision was hailed by commentators as the starting gun for social media to proliferate as a tool for corporate communications.

Our sense however is that not everyone is convinced. I attended NIRI's annual Investor Relations Conference in Florida in June 2013, and found that for many corporates the attitude was one of "wait and see" with few seeing it as a priority, preferring to stay low key with Twitter or using traditional distribution platforms for now.

Is Social Media Something Listed Australian Companies Should Care About?

There are some significant differences between Australia and the United States in terms of the way market disclosure is regulated. In Australia all listed companies must announce any market-sensitive information immediately and directly to the market via the Australian Securities Exchange-operated company announcements platform. By definition no-one is able to disseminate information about a company before ASX.

In the US companies are governed by periodic (typically quarterly) disclosure requirements and do not have to release market sensitive announcements through the exchange first. They have a range of SEC-sanctioned portals available to them including newswires, the corporate website and now social media. As long as the company advises investors and the market which platforms it intends to use, it is free to disclose how and where it chooses. This framework has been the catalyst for the increasing popularity of social media amongst US investors who seek speed and convenience.

So for Australian companies, the decision to select social media as one of their distribution channels for IR, post ASX lodgement, comes down to a willingness to experiment and the size of the audience following them. Like many companies in the US, Australian companies are feeling their way with this medium by using Twitter as an alert service or proxy RSS feed.

1. Q4blogsystems Survey

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FIRST Advisers Survey of S&P/ASX100 Companies

In June 2013 we undertook a detailed analysis of social media use by companies in the S&P/ASX 100 and found that, while over 90% are actively using various forms of social media at an operational or business level, less than 20% are using it for corporate affairs and investor relations purposes. Significantly the preferred channel being used by those in this group that are using it for IR is, almost exclusively, Twitter.

Closer analysis however also highlighted that the data on social media usage by these companies is skewed by the dominance of LinkedIn with 91% of corporates maintaining an account. If LinkedIn is excluded, the picture changes with 25% of all top 100 companies having no social media engagement at all. Of the 75% that do, 59% use Twitter, 56% use Facebook and 55% use Youtube.

We had thought that resourcing issues might be a determining factor as to which companies were early adopters of social media for IR. However in this sample, the group of companies most likely to avoid using any social media for investor communications was the mid caps. While 27% of large cap (> $5bn) and 25% of small cap (< $1.5bn) companies were actively tweeting to investors, the mid caps were largely (5%) silent.

Social Media for Investor Relations – A Recap

Social media in its infancy was focussed on ‘profile building’ and ‘self-promotion’, however the rapid growth of the internet has meant that social media has become its own social network. Facebook now has over 1 billion active users and more recent platforms have an increasingly ‘public’ focus (eg Twitter.com, Slideshare.com – both of which started 2006). This change has moved social media away from simply ‘profile building’ towards ‘information distribution’ and ‘social engagement’.

When viewed in this light, the shift in dynamic has placed social media well within the scope of investor relations. For listed companies today, engaging with social media does not just entail building a profile, but also interacting with shareholders. Both in the US and Australia companies are increasingly aware that having a good-looking website and using social media purely for marketing is not a strategy for the long term. Social media as a communications platform is already rivalling traditional forms of media for both audience size and effectiveness of communication.

What’s in it for Public Companies?

In addition to speed of information distribution, the three most cited benefits to public companies from engaging with the larger platforms such as Twitter, Facebook, Slideshare and YouTube are:

- *Information on the go* – The growth of information consumption through tablets and smart phones and the growing aversion to traditional PC’s at home has also encouraged the use of social media for corporate communications.
- *Two-way communication* – Twitter and newer platforms such as Google Hangouts have facilitated the increase in dialogue between companies and their investors. The ability to webcast Annual General Meetings and have online questions addressed is not only convenient for investors but also enables companies to reach a wider network of people.
- *A large audience base*

While we believe that the ‘reach’ of social media is now too large to ignore, we also understand that certain companies will be better suited to different levels of social media engagement.

Getting Ahead of the Trend

It is simply a matter of time before social media becomes part of Australian companies’ IR toolkit. This was our view three years ago when we wrote “Social Media and IR: Value Add or Passing Fad?” and provided some suggestions as to what companies could do to start building and maintaining an active social media brand presence.

While there is no one size fits all solution to social media for IR, it is clear from the trends here and overseas that setting up a Twitter account appears to be the most popular, low risk entry point for most companies. We would add that even before making this decision, however, there needs to be an internal commitment to resourcing the function appropriately and ensuring that its use is consistent with the company’s other communication channels and conforms with regulatory requirements.

Ultimately the use of social media for investor relations must be backed by strategy, sophisticated message development and an understanding of the investor audience you are trying to reach

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