

# COMMENTARY: INVESTING IN SOCIAL MEDIA

IR is all about communications. Is social media part of your communications portfolio? If not, you could be missing out on important returns.

**By Joseph Michael Cabosky**

*Editor's Note: As NIRI member surveys have shown, most IR practitioners have been reluctant to use social media to communicate with investors. The primary reason cited by a majority of NIRI members is the lack of interest from buy-side investors and sell-side analysts in engagement via social media. Practices do vary by industry and market cap; there is more interest in social media outreach at large- and mega-cap companies and those with a greater number of customers or retail shareholders. At the same time, many IROs at smaller companies don't have the bandwidth to generate social media content and manage additional communications platforms. In this guest commentary, Joseph Michael Cabosky, a professor at the University of North Carolina at Chapel Hill who also serves on NIRI's Research Council, makes the case that companies should try to do more to utilize social media in their IR efforts.*

Popular social media platforms like Facebook and Twitter are now in their second decade of spreading information, photos, and videos to consumers, journalists, and, yes, investors around the world. And yet, year after year, NIRI surveys continue to find that IROs view such communication platforms with a collective yawn.

This is a big missed opportunity. What follows is a breakdown of how we fail to properly conceptualize social media's role in IR – backed up with data from the 2016 NIRI Social Media for Investor Relations Survey – coupled with recommendations on how IR practitioners can use social media more effectively.

### **Isn't Social Media for Wedding Photos?**

***NIRI Survey: Only 28 percent of IR professionals use social media for IR; this has changed little over the last six years.***

The reasons for this lack of use are multi-fold, but the following school of thought seems to dominate the field. As one small-cap IR professional put it, "Social media is/should remain a relatively minor and unimportant part of the IR function. After all, IR is not a social activity; rather, it is a strategic business endeavor." This rationale demonstrates two key errors in much of the profession's approach.

First, there is a common misconception that social media's only purpose in life is to distract people from work or to Instagram photos of one's trip to a Shake Shack. In reality, almost any successful business in today's world is using social media for strategic business purposes. Whether it's an airline responding to frustrated passengers, a company using LinkedIn to facilitate B2B sales, or Donald Trump's ability to message to millions of voters directly without need of news media, there are many ways organizations can – and should – be using social media for strategic financial communications.

Second, IR is sometimes viewed as a

*just the facts, by-the-numbers* job. The reality is that it is inherently a social profession as we must communicate with analysts, shareholders, investors, and financial media. IROs use email, video conferences, PowerPoint presentations, IR websites, and a host of other communication tools for this purpose, so why not social media?

### **If You Don't Know What to do With it...**

Another common response for the lack of social media use in IR is that the investment community is simply not interested in using these tools of communication.

***NIRI Survey: Only 15-18 percent of analysts report being interested in using social media to engage with IR vs. 47 percent of retail investors.***

### **At first glance, this would justify this argument. But...**

***NIRI Survey: Of the 28 percent of IR practitioners using social media, only 57 percent of those say they "have a specific IR strategy or objective in mind"***

In other words, only 16 percent of IR departments are using social media with any kind of purpose, nearly matching the number of analysts who say they are interested in engaging with the platforms. This

makes sense – why would those in the investment community say they're interested if there's nothing valuable there?

### **If You Don't Measure It . . .**

***NIRI Survey: Of the 28 percent of IR practitioners using social media, 70 percent do not use metrics "to evaluate the effectiveness" of their outreach.***

Therefore, only 8 percent of IROs are using social media that are being evaluated and measured to see whether it works. In an industry driven by metrics, why would IROs expect the investment community to be interested in social media if companies are not trying to use it effectively and adapt to feedback?

### **Opportunities**

The broader data demonstrate how much potential remains if we use social media properly. While social media can be used by IR departments in many productive ways, I want to focus on what are the three most common ways IR professionals use it: "To increase visibility, transparency and awareness of the company, to provide more color about a company outside of numbers, and to complement existing forms of established dissemination channels."

### **Awareness**

The most common benefits of social media are awareness and visibility. In a fragmented media world where any given news outlet only captures a very small segment of the population, Facebook and YouTube have over a billion users, and Twitter and LinkedIn exceed 250 million, according to Alexa.com, which monitors Internet traffic. The question is of course whether you're reaching the right audience on those platforms, but, simply put, most of your key audiences – be they analysts, retail investors, or financial media – are engaged with at least one, if not multiple, platforms. And

the notion that they're there simply for stories about friends or family is outdated. The Pew Research Center reports that nearly two-thirds of Facebook and Twitter users utilize the platforms to obtain their news. In turn, information begets more information as financial news outlets, sell-side analysts, and other key influencers use these platforms to further drive traffic back to their own products.

Modern information flow happens across social media channels at rates that trounce any other form of communication. Even if you are not using the platforms to cover your company, someone else is. Many may

through the use of social platforms.

Simply put, social media is going to engage with your company's story whether you do or not, so you may as well participate in your own information flow. Awareness can of course be positive or negative, be it a firing of your CEO or an unexpectedly good quarter. Either way, the more you build up your social media infrastructure now, the more traffic and attention you'll receive on those platforms during important moments. Even during less defined moments, continuous use of these platforms can help you manage your story, one post at a time.

more than 13,000 views for what is perhaps an otherwise mundane IR routine. Using these tools, T-Mobile is able to combat its underdog status by building visibility and awareness across multiple platforms.

## Storytelling

T-Mobile's IR efforts also elucidate a second important objective: advancing one's corporate and financial story. In its use of YouTube, the power of the visual extends T-Mobile's financial branding – loud, pink, and young. The tactics also match the aura of the company's CEO, John Legere. The importance of this branding extends beyond their consumer base. All companies must position themselves within their field, be it differentiating their organization from macro-level commodity effects or positioning within a market sector. As an IRO, the more in-sync all of your communication efforts, the clearer your financial story becomes.

This is why many consumer and technology companies are some of the best at IR social media use. Twitter's use of Periscope during earnings calls allowed analysts to engage with the company's product while Alphabet's use of Google+ as a go-to source for IR financial information literally brings the financial community to the company's virtual home.

But the value of IR storytelling is not just for consumer or tech giants. I commonly hear from IROs that one of their biggest problems is when analysts and investors obsess over the wrong value metrics. Struggling companies like Blackberry are always asked about hardware, even though it is trying to transition into a software company.

Despite record-breaking quarters, Disney spends much of its time responding to problems at its ESPN networks instead of the company's booming travel, parks, and film divisions. While an investor may only visit one road show or engage during quarterly updates, social media allows compa-

---



**In many ways, small-cap companies are most in need of social media's ability to attract audiences and direct attention to their desired story elements.**

---

say they're not influenced by social media, but no one lives in a vacuum. Information now travels through always interacting networks, both online and off. Popular financial platforms like Seeking Alpha are crowdsourced information portals with many top analysts driving coverage to other platforms. If you're a small-cap company with little coverage, the ramifications are often only amplified if an influential analyst or an activist is able to dominate your story

Many large consumer-brand and technology companies do this well, such as T-Mobile's award-winning incorporation of social media into its IR program. The company's IR-specific Twitter feed actively shares important financial information to over 2,000 followers, highlighting key metrics T-Mobile wants to hit home with the financial community. The company also incorporates tactics such as YouTube for behind-the-scenes livestreams of its earnings calls, generating

# The Thinking Behind the T-Mobile IR Social Media Program

T-Mobile is a leader in using social media in investor relations, and its program received the *IR Magazine* Award for Best Use of Social Media in 2015. To learn more about the thinking behind this program, *IR Update* asked Nils Paellmann, head of investor relations for T-Mobile US, to comment on some key aspects of his company's social media program.

## ► The use of social media to promote earnings

"We use social media to deliver messages about earnings in particular. For example, we Tweet out the key messages around earnings on earnings day. We allow questions via Twitter, Facebook, and text messages during earnings calls, which is different from many other companies. We also take questions on the phone the traditional way. We extended our earnings call to 90 minutes to be able to answer more questions. But obviously in 90 minutes we can't answer all the questions we get on Twitter on earnings day. So, in addition to responding to some of these questions on the call, we respond to some of the questions via Twitter."

## ► The use of innovative video for earnings calls

"But we not only provide an audio of our earnings call but also do a video or webcast, which you can see on our IR website. So our earnings call tends to be very visual. For example, our CFO tends to wear a pink cowboy hat during our earnings call. And our whole team is wearing T-Mobile branded clothing, which I think goes with the overall branding effort."

## ► Integrating the corporate communications staff with IR

"Usually the corporate communications may take the lead in crafting some of the messages, but we closely review whatever they put together and make sure it is consistent with the IR message and factually correct."

## ► Coordinating the power of a CEO's brand with the value proposition of a company brand

"We look at social media not just in terms of retail investors but also customers and the general public. It's part of the overall effort to establish T-Mobile as an effective brand. We have this big Un-carrier message that highlights how we look at ourselves as not being the typical carrier. The social media presence is a big part of it, starting with John Legere, our CEO, who is very active on social media. He just broke 3 million followers on Twitter. So we are a little bit different than other companies, but in our case, the most active one on social media is our CEO who has branded himself as being very aware of customer expectations."

"We also use social media to also disseminate other information. If you look at our earnings release, there is a social media paragraph that says investors should basically follow John Legere on Twitter and some of the other social media outlets, such as Periscope. Certainly investors and analysts who follow T-Mobile closely are generally following John Legere on Twitter and some of the other social media outlets. So that is almost required reading if you are interested in T-Mobile. But for slightly less material information, we often also have John use social media to disseminate some smaller news items, often in conjunction with press releases."

## ► On the benefits of social media for a smaller company in a sector

"Because of our size, we can't spend as much on media or advertising as the big guys (Verizon and AT&T). So we compensate for some of that with a very active social media presence."

gies to tell their stories any day of the year.

GE is a good example. As one of the largest companies in the world, its story and value proposition are complex. So, featured on the company's IR page is GE Reports, or what the company calls "a daily news, video and social media hub covering GE's transformation into the world's largest digital industry company." First, it consolidates a company – whose business endeavors range from nuclear to aviation – into a straightforward argument. But, GE Reports is more than that. It is IR content marketing – a

tactic where you produce information to attract and influence your audience. GE Reports consistently tells investors a story – breaking down the technical information of the company, all the while helping analysts appreciate what elements are important to the company's financial story. In a world where many companies span industry sectors, such content helps better position your company against competitors.

GE Reports' 55,000-plus Twitter followers demonstrate how you can control your own media platforms and messaging without

need of financial press or a particular analyst. And that's the beauty of social media – it's a controlled platform that couples the benefit of reachable audiences with the ability to constantly plant the seeds of your story, the latter being especially important for newer companies or those going through short-term or long-term transitions.

## Complementing with Multiple Tools

The third common objective is to use social media to complement all of your other

tactics. For all the reasons noted above, social media are not the only tools you need, but in a world where they are completely integrated in modern life, they should accordingly be integrated into your plan.

For each of these objectives, the question then becomes, what platform should you choose? If you're trying to reach retail investors, any popular platform may work well. Financial media tend to be Twitter junkies, while investors and analysts are more likely to use the platforms that best communicate your points. This means that if short videos or video presentations will help demonstrate your argument, YouTube may be the best bet. If infographics help tell your financial story, your options are more diverse. And if building up the right network of industry players is most important, LinkedIn acts as a nice landing page for your content. The important thing to remember is that not all platforms are alike – Twitter is to Facebook as TV is to radio or the airline industry is to pharmaceuticals. So, think critically about who your audience is and what it is that you want to say. It's better to use one platform correctly than trying a one-size-fits-all approach. Salesforce has done this well by combining helpful financial videos on YouTube with the volume benefits of Twitter and the cross-platform integration of the company's broader corporate Facebook page.

## Importance for Small-Cap Companies

***NIRI Survey: IR use of social media generally increases as market cap increases.***

Part of this trend stems from the fact that larger companies tend to have bigger IR departments, budgets, more retail investors, and larger corporate communication offices. But it shouldn't be this way.

In many ways, small-cap companies are most in need of social media's ability to attract audiences and direct attention to their desired story elements. Some compa-

nies may struggle with obtaining enough analyst coverage and investor awareness. Others may obtain coverage but often get unfairly compared to their much larger competitors. Thus, the more you're in need of awareness and accurate analysis, the more you should be telling your own story. Social media achieve this in a cost-effective way.

## Measurement and Metrics

Beyond having the right objective in mind, if you're going to use social media, make sure to plan how to measure the effectiveness of your efforts. Each company should already have its own metrics in

terms of IR success, be it the number of attendees at your road shows or the volume of shares purchased. Other metrics can be qualitative, such as whether analysts and investors are focusing more on the right metrics or are asking questions during earnings calls that better match your company's financial reality. Social media should be tracked in such a manner. While many platforms offer you free metrics in terms of views, visitors, and various forms of engagement, you can also couple these metrics with results from surveys, content analyses of analyst coverage or financial media, and in-person communications. Though it may take some trial and error, you'll quickly begin to learn what type of social media work with your investors and analysts and adapt accordingly.

Overall, it's important to remember to be patient. While many companies have seen IR success in the social media space, it takes time to cultivate new relationship behaviors with financial audiences. But there's a reason Facebook and Google are two of the most valuable companies in the world. Communication and media are interconnected, and if you're



**While many companies have seen IR success in the social media space, it takes time to cultivate new relationship behaviors with financial audiences.**

not controlling your story by participating, someone else surely will. So, it's best to pick a strategy and objectives, determine how you want to measure your success, and jump in. The water is fine. **IRU**

The water is fine. **IRU**

**Joseph Michael Cabosky, J.D., Ph.D.**, is assistant professor, public relations, creative and professional track at the School of Media and Journalism at the University of North Carolina at Chapel Hill; [cabosky@live.unc.edu](mailto:cabosky@live.unc.edu). Please visit [www.niri.org/analytics](http://www.niri.org/analytics) to review NIRI's survey reports on social media.