



It's Time: IR Professionals Must Adopt Social Media

BY JEFF ZILKA

First there was word of mouth and U.S. mail. Next came faxes and newswires. More recently, we turned to conference calls, e-mail and then to websites. Investor relations professionals have long used multiple media to communicate financial matters. Now, it's high time they embrace social media, too — online outlets that range from del.icio.us, Digg and blogs to Facebook, Flickr, LinkedIn, MySpace, Twitter, and YouTube.



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A recent *IR Alert* survey of 270 executives found only one-in-eight IR professionals report using social media to communicate with shareholders and the market. Among enterprises with at least \$500 million in annual sales, only three percent use social media to communicate financial information.

Why embrace social media? The answer is surprisingly simple: We live in a multi-stakeholder world that creates a sphere of cross-influence.

Consequently, the IR professional's world comprises not only analysts, investors, lenders and rating agencies, but also regulators, the media, employees, customers, third-party influencers and communities. It's a world with instantaneous 24/7 communications in which, as CEO Michael Dell puts it, conversations about your company "are going to occur whether you like it or not. Do you want to be part of that or not? My argument is you absolutely do."

That is especially true now, when even the Securities and Exchange Commission has issued guidance on how companies should use their websites and social media. In releasing its guidance in August 2008,

the SEC said it recognizes that online media are an important means of communicating with stockholders and the market. (Note: The SEC even maintains a Twitter presence.)

Investors already recognize that. Eighty percent of investors sampled by InvestorMatrix, a London-based corporate social-media firm, said they preferred interactive information from a company to a static PDF or article.

Social media has changed the world. It's about listening to and engaging communities. The new communications model, replacing the old monologue model that sought to control the conversation, is a true dialogue. It is transparent, inclusive, authentic, vibrant and audience-driven. Its goal is to enable, inspire, influence and engage.

The 'New Normal' for IR

For IR and financial communications, the rise of social media reflects the "new normal" environment, where:

- The 24/7 news cycle triggers continual filing, more opinionated commentary, and more video and short-form content.
- Online and social media are now mainstream, with 79 percent of all adults online an average of 33 hours a week and with more Americans (40 percent) relying on the Internet in 2008 than on newspapers.
- Fewer influential analysts and news sources mean you must tell your company's story directly.
- More customized news sources signal the demise of mass communications and make it more difficult to aggregate audiences.
- Less control of your message increases the odds that you will be responding to a less predictable flow of information.

Basic Training in Social Media

Remember when you first learned e-mail communication? (In this new century, it was for many of us.) There were a few basics to master. It's the same with social media.

Begin by listening. What questions are being asked and what concerns are being raised about your company on investor websites like SeekingAlpha.com, Twitter sites like Stocktwits.com, in reader comments on mainstream media articles and on Facebook and social media sites? The objective at this stage isn't necessarily to respond, but rather to understand who's talking about your company, what they're saying, and where they're saying it.

Then, venture forth yourself for your company. You want to be where people congregate so use multiple social-media platforms. Talk about what they're interested in; let the community guide you.

Probably the most effective use of online outlets — from blogs and Facebook to YouTube videos and Tweets — is telling your company's stories. For example, simply visit IBM's website and glance at its "IBM and the Future of ..." podcast series, produced by its investor relations department. Or click to its IR viewpoint articles that through commentary, missives and other items of interest aid in understanding IBM's positions and strategy. GE, which is now about 50 percent held by retail investors, makes extensive use of the storytelling power of social media via its "GE Reports" site, which features text, photos and video and links to a companion Twitter site as well as Flickr and YouTube.

Also, peruse some of the blogs of the 81 *Fortune 500* companies that publish them, including Wal-Mart Stores, Microsoft, Johnson & Johnson and Monsanto. The Society of New Communications Research tracks the companies' blogs and also links to the 20 companies with corporate Twitter accounts.

Companies are starting to make use of IR blogs for more than just storytelling. Johnson & Johnson recently posted the minutes from its annual meeting via Twitter. And, Robert Williams, Dell's director of investor relations, uses his IR blog to publish his company's views on issues important to analysts, institutional and individual investors and also posts short videos with the company's chief financial officer discussing highlights of each quarter's results.

Make Sure Your Company Can Be "Found"

Be sure that the on-line community can find you. Seventy-five percent of all on-line experiences begin with search, Edelman research shows, so make sure your company's IR initiatives are findable online through search engines. Build search into everything you do via relevant search terms; make sure that search-engine optimization, or

SOCIAL MEDIA AND CRISIS COMMUNICATIONS

Social media's impact often becomes clear during a corporate crisis. Look at the use of social media after a Southwest Airlines flight experienced an incident aboard one of its flights. As described by Southwest's Manager of Emerging Media Paula Berg at a NIRI Southwest conference last August, an incident happened at 5:30 p.m. on July 13, 2009. Thirty-seven minutes later, the *West Virginia Gazette* posted an on-line story and sent its first tweet about the incident. A minute later, at 6:08, airliners.net began a thread about it. At 6:17, the Associated Press ran a headline, "Southwest 737 lands in WV after hole in fuselage."

At 6:43, a customer took a photo of the plane's fuselage hole with his cell phone and sent it out via Twitter/TwitPic. Fifteen minutes later, a flyertalk.com thread appeared with a link to local broadcast coverage. At 7:10, Southwest Airlines had a public statement prepared to send to media. Chatter begins to pick up on Twitter and Forums. At 8:10 p.m., @Southwestair sent a tweet that read: "SWA Flight 2294 diverted safely to Charleston, WV. Great work by crew and customers onboard, everyone safe #southwest." At 9:20 a.m. the next morning, @Southwestair tweeted: "Flight 2294 UPDATE: We are refunding the RT fare for Customers on 2294 last night. All 737-300's inspected, w/o findings." And, of course, the blogs and tweets continued afterward, as well.

SEO, and other tools will bring you to the head of the search findings when people look for your CEO's comments about the latest quarterly results.

Also, absolutely update your employee-disclosure policies to include social media — and train all employees about it. Establish frameworks, policies — and make clear the penalties for non-compliance. The porous nature of social media and ability of information to spread rapidly across the web makes it imperative that all employees understand about what information they are and are not permitted to blog, post and comment.

The eruption of a crisis supplies the final reason why IR professionals and their corporate communications counterparts should establish social-media channels — blogs, YouTube, Facebook, Twitter — so they build relationships *before* the event occurs. When it hits, join the conversation about the crisis, because it will take place anyway. Lead the way as a trusted resource; be gracious, honest and real. Don't lose your cool; above all, have a thick skin.

Act fast to correct errors and misconceptions. Keep your replies simple, yet factual, consistent and substantive. And remember it's harder to repair a damaged reputation than maintain a good one.

Hopefully, more IR professionals will recognize that social media are more than personal communications for connecting with old pals, watching odd videos or marketing their company's products. They'll grasp that for the financial and investment communities, these channels inform, illuminate and increase understanding of their company's investment appeal. IRU

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