# ANATOMY OF AN ANNOUNCEMENT
## IT'S TIME TO EXPAND YOUR NETWORK

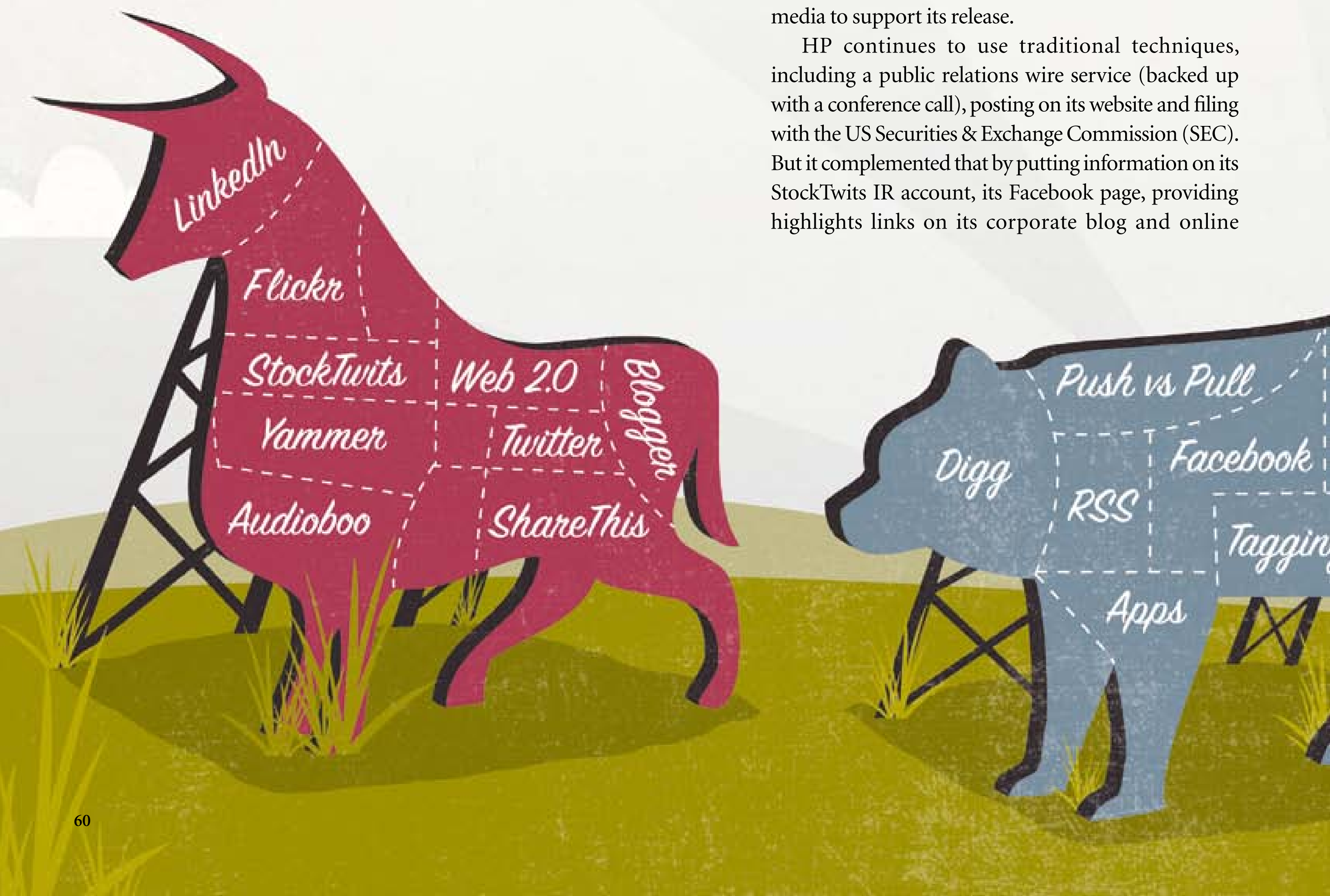
**NEWSWIRES AND IR WEBSITES ARE STILL IMPORTANT, BUT IN THE SOCIAL MEDIA AGE THERE IS MORE TO ANNOUNCING YOUR FINANCIAL NEWS, WRITES RICHARD CARPENTER OF MERCHANT**

The way companies send out financial news is going through radical change, and if you were one of the investor communications professionals keeping your head down and ignoring the revolution, now is the time for a rethink.

It is not just social media that is changing the way companies release earnings and other news, it is the wider online revolution. The "social" aspect has led to many new ways in which companies can disseminate information and avoid the risk of selective or slow disclosure. But information can also be tagged and labeled in a way that makes it far easier for companies to share financials (see panel on XBRL tagging system on page 63). These new techniques – if they can still be seen as new – are affecting long-established ways of releasing information and, in some cases, threatening the existence of practices and industries that traditionally supported the flow of financial information.

How are companies responding to this changing landscape? Take Hewlett Packard, which reported its third-quarter earnings in August using social media to support its release.

HP continues to use traditional techniques, including a public relations wire service (backed up with a conference call), posting on its website and filing with the US Securities & Exchange Commission (SEC). But it complemented that by putting information on its StockTwits IR account, its Facebook page, providing highlights links on its corporate blog and online



newsroom, and posting the presentation slides on SlideShare. If you wanted video content, that wasn't overlooked either, with access via HP corporate sites or YouTube.

"Our goal is to make information about HP as easy to access as possible," says Ethan Bauley, Managing Editor at HP corporate news. "The biggest challenge is one of the most mundane, which is synchronizing distribution among multiple channels. There really aren't any tools that can simultaneously cross-post content to a wire service, Twitter, StockTwits, Facebook and YouTube. HP's financial information is consistently among the most popular content we publish to our blog, Twitter profile and Facebook page, often outperforming marketing or product messages."

Crucially, a few days in advance, HP alerted audiences about how it would use social media as part of the announcement, thereby preparing followers on Twitter to be ready for the news and prepared to re-tweet or share information. This is the perfect way to use the new technology – social media allows rapid dissemination to thousands of followers – as part of an "announcement dashboard."

HP is not alone, but it is among the leaders alongside Syngenta and Cisco which are developing similar practices, with Cisco devoting a YouTube page to earnings-related videos (www.youtube.com/user/ciscoearnings). There are some great synopses of these and other new practices on IR Web Report (www.irwebreport.com).

"THE BIGGEST LESSON I'VE LEARNED IS THAT A COMPANY MUST HAVE ALL ITS INFORMATION AVAILABLE TO ALL SHAREHOLDERS ON ANY PLATFORM THEY WANT TO VIEW IT"

*Rhonda Bennetto,*
*TVI Pacific*

Social media also allows users to highlight key information, such as nuggets about earnings news. This is what an analyst might do in terms of stripping out key stories but not always with such a high level of understanding. As long as you can sort the wheat from the chaff, the online audience will help sift through pages of earnings releases almost as one – like ants tearing up a leaf – and then distribute to a wider group than would be the case with an analyst's note.

The downside is that social media can lead to legal concerns. If, for example, you highlight only one element of a release and then tweet that with a link to the wider release, are you open to a charge of selective disclosure? Equally, could such a charge be brought if you send out your earnings only over the web using social media and shy away from traditional outlets, such as the PR wires?

On this point, a regulatory shift is beginning that might make life easier and several companies are experimenting in this new environment. Some bodies with regulatory powers, such as the New York Stock Exchange and Nasdaq, have ended their requirement for some overseas companies to use paid-for PR wire services, allowing companies to send their news out via SEC filings and their own website postings. Of course, they could also supplement that with the social media strategies above.

What is changing is the notion that releases have to be "pushed" out to individuals using traditional methods. Nowadays, technological solutions

**USEFUL TOOLS**

**StockTwits** – *www.stocktwits.com* – microblogging site for investors, gaining a lot of fans in the US.

**SlideShare** – *www.slideshare.net* – allows users to upload and share slide presentations, publicly or privately.

**Twitter** – *www.twitter.com* – microblogging site where you share your news in fewer than 140 characters.

**Bit.ly** – *www.bit.ly* – it shortens URLs, which is why it's used so much on Twitter.

**Flickr** – *www.flickr.com* – the world's largest picture management and sharing application.

**YouTube** – *www.youtube.com* – worth investigating if you don't have your own corporate page.

**IR Web Report** – *www.irwebreport.com* – good up-to-date guide to trends and practices in online investor communications.

mean people can choose to "pull" in the information they want from a range of sources, either using a feed they subscribe to into their own newsreader or via, say, Twitter.

This change is likely to have more of a dramatic impact in the US, where the paid-for PR wire service has been more of the landscape than in other markets, but the idea is the same wherever you are. Companies can effectively "push" their news out themselves via online distribution, and as long as it is done in a timely, effective manner, the web will take the strain.

But what exactly does "effective" mean here? Obviously, if you are a fairly obscure small-cap company, simply placing your earnings release on your website and waiting for the world to come and view it is unlikely to be an effective means of distribution. However, if you send that same release to a regulatory filing system, such as the SEC's EDGAR (Electronic Data Gathering Analysis and Retrieval) and also use social media channels, then you might find the news distribution is more effective than traditional PR wires.

Academic research on the use of social media in financial news distribution seems to support this view. Elizabeth Blankespoor, Hal White and Gregory Miller at the University of Michigan published a paper last year showing how the use of Twitter by some "early adopter" companies had helped news flow and liquidity in the stock, thereby reducing bid-ask spreads (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1657169). It was particularly noticeable for smaller cap companies where, you might argue, the need was greatest.

Certainly, some small caps that have jumped on that bandwagon have found it useful. Alberta-based mining group TVI Pacific has been an active supporter of social media in the past year and has had spectacular results. Rhonda Bennetto, TVI's Executive Director of Investor Relations, says traffic on its website has risen almost threefold in 10 months. Its Flickr photo views have risen from zero to 4,600; SlideShare views from zero to 3,000; YouTube views from 300 to 2,000; Twitter followers to 147; and Facebook followers to 170. The share price has almost doubled in nine months and trading volumes are up 400 per cent.

"The biggest lesson I've learned is that a company must have all its information available to all shareholders on any platform where they want to view it," says Bennetto. "Mostly retail shareholders visit our Facebook page, while institutional and buy-side investors tend to go to our website, so it's imperative that all information is mirrored on all sites. Often banks and other institutions are not allowed to use Facebook at the office, so you can't selectively have some information on Facebook and some on your website. This also eliminates any threat of a single point of failure of information – for instance, if Facebook were to shut its doors."

For many companies, radical changes in information dissemination are more about getting the online presence right rather than embracing social media per se. There is also a real legal concern about social media in many IR circles. For example, while many British-based investor relations officers admired the use of social media by firms such as Rio Tinto in its defense against BHP Billiton, still more have shut social media out of their IR programs. That has not stopped them from beefing up their online presence though, with many turning to video and other rich media content to help bring their executive or operational stories alive.

One company that has really embraced the online communications angle is French cosmetics group L'Oréal. Thierry Prévot, Head of Financial Communications, says that investors' and analysts' requirements have changed radically in recent years – and that companies have to change their practices as a result. "They need more of the story of the company – the light and color of that story," he says.

That need prompted Prévot and colleagues to create a more interactive experience for people looking for information about their group. Their online annual report is just one example of this trend: www.loreal-finance.com/site/fr/contenu/rapport/rapport2009/index_en.html.

Packed full of video and interactive timelines, it illustrates the company's story and, crucially, its constituent parts can also be used many times in other ways to tell the story. "It's a virtual promenade enabling visitors to discover what L'Oréal has been doing in each of our zones; what our R&D department has been working on; the main financial results; and so on," says Prévot. "It's a kind of 3-D approach designed to make it as easy as possible for visitors to find the key information they require and to give a clear picture of how the group is structured."

What do all these trends mean for investor communications? In the short term, it means things get a whole lot more complicated. And possibly more expensive, too, as myriad channels – and the resources needed to monitor them – continue to pop up. In the longer term, however, it should mean that life becomes a lot easier and cheaper for investor communications. You will be able to control far more from your desktop and, in theory, interact more rapidly and directly with investors.

These online tools are not the be-all and end-all, they are additional channels. Do not believe any online whizz-kid who tells you otherwise. That said, investor communications professionals who put their heads in the sand could find themselves being left behind.

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**XBRL: A JOLT FORWARD**

Back in 2000, delegates at the UK's Investor Relations Society were treated to a presentation that predicted XBRL – or eXtensible Business Reporting Language – was about to radically change financial information dissemination.

Some 10 years later, there is still little evidence of the XBRL revolution but, you could argue, there has been a shift in its favor.

Essentially, XBRL is a means of tagging financial information so it can be used in different formats without having to re-key the information. You tag a number as, say, a revenue line, then that tag effectively drags the correct number into the right space whether used in a PowerPoint presentation, a press release, an online annual report or whatever. The system is most impressive when XBRL tags are used to drag comparison numbers from a range of companies into one spreadsheet.

It sounds magical, but the problem has been one of adoption. Companies have not used it because investors have not used it – and vice versa. Similarly, the idea all companies in all countries and all sectors can easily be compared is great but flounders when put into practice – despite the wide adoption of international financial reporting standards.

But the white light of hope for XBRL advocates, these days, is that the US Securities & Exchange Commission has mandated the use of XBRL in filing financial reports. Some other regulators, such as the British tax authorities, have also been taking the XBRL route. The regulatory kick has finally given XBRL a jolt forward.

It is not a perfect solution, however. Most companies are simply tagging their financial information at the end of having produced their numbers, rather than using it throughout the process. The danger is that just as XBRL is on the verge of truly wide adoption, it will become the "Betamax" of financial reporting, and a new, easier solution will take over. Keep watching the XBRL space, though.