



HOW TECHNOLOGY IS CHANGING INVESTOR RELATIONS

by Jessica Lee Holland

The ever-growing speed of technological advancement has been a key driver of recent changes in investor relations. Historically, investor relations was a reactive function that responded to market fluctuations and investor needs as they arose. Today, investor relations officers (IROs) are able to predict events before they arise, and communicate directly with a larger investment community through the use of technology. As we enter into what is now being termed “the fourth industrial revolution”, companies are arming themselves for digital change, and investor relations is no different.

Digitisation

While digitisation of investor relations was previously uncharted territory, it is now here to stay. Company websites and online business reports are now standard practice, and the use of digital distribution channels for company investor communications has become indispensable. Even the traditional face-to-face shareholder meetings are being challenged by an increased demand for virtual events such as webcasts, video conferences, webinars and web conferencing. Other innovations such as social media, data analytics, financial technology platforms and even artificial intelligence have further revolutionised the industry. Improving technologies are creating a raft of changes and new opportunities in investor relations.

Traditionally investor relations teams reported numbers to their management teams as static set points throughout the year. Today, financial models are updated in real time giving

management the ability to report fluctuating numbers to a company board. With investors having access to so many avenues of information about companies, IROs are now expected to have detailed knowledge and understanding at their fingertips.¹

This paradigm shift in the industry from ‘reactive’ to ‘proactive’ means that investor relations needs to be in tune consistently with the pulse of the industry and market sentiment. In order to stay relevant and earn the trust of the investment community, IROs must understand the impact of events and industry drivers that present both opportunities and risks for their business.² In other words, IROs will become experts in their sector, requiring a broad knowledge of industry-related change.

Social Media

Social media is a hot topic that is rapidly evolving the investor relations industry. Whereas a few years ago, IROs were reluctant to adopt social media, a recent Greenwich Associates report³ revealed that almost 80% of institutional investors regularly use social media.

1 Bloomberg “Investor Relations, A Vital Role”

2 Bloomberg “Investor Relations, A Vital Role”

3 IR Optimizer, “The Evolving Role of Social Media in Investor Relations” 2017

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In addition, 30% of respondents agreed that information provided through social media platforms directly impacts an investment decision or recommendation. Thus, the question today is less about whether to engage in social media, and more about when, how and where to do so.

Moreover, the SEC's April 2013 announcement that social media, under certain circumstances, is an acceptable channel for disclosure was a wake-up call for the investor relations industry that was initially slow to adapt.⁴ The most utilised media tools in investor relations are Twitter, LinkedIn, Facebook and StockTwits.⁵

The key advantage of social media is that it enables organisations to have more control of their information environment. It presents an opportunity for IROs to get information in front of their audiences rapidly, and enables IROs and their companies to take part in, respond to or mediate online investor conversations which spring up about the company. In this way, alert and engaged companies are in a better position to moderate misinformation and antagonism that may threaten a company's reputation and share price.

Through a carefully constructed strategic plan, social media has the ability to reinforce a company's key messages cost-effectively, promote a company's brand recognition and loyalty, push traffic to a company's website and spur media coverage.

These tools are so powerful that even the President of the United States, Donald Trump, admitted on CBS news "The fact that I have such power in terms of numbers with Facebook, Twitter, Instagram, etc...I think it helped me win all of these races where they're spending much more money than I spent."⁶

Innovations in Investor Relations

With an influx of information available to investors, IROs are busier than ever. Innovation is paramount to the survival and relevance of investor relations. It is for this reason that many believe big data and artificial intelligence will be the main drivers influencing investor relations in the near future. As a consequence, issuers need to know more about investors, and data analytics can deliver information on a large scale.

Big Data

Looking forward, it appears the biggest evolution in the investor relations industry is upon us. Data analytics, specifically, is transforming operational and strategic investor relations. Market research and register analysis will take a back seat to data analysis tools as a way to understand investor perceptions and motivations. In this way, they enable

IROs to understand better what investors are looking at so that they can tailor their investor communications to target their audience more effectively.

Data analytics determines and measures interest from specific regions making investor targeting more effective by improving roadshows and possibly accessing new institutions and analysts that previously were not on an IRO's radar. In this way, investor relations is being transformed from a qualitative to quantitative function, which makes the industry more efficient. Looking to the future, there is no doubt that data analytics will become imperative to the role and relevance of IR.⁷

Artificial Intelligence

Investor relations is being streamlined towards even more efficiency with the emergence of Artificial Intelligence (AI).

Nasdaq and Q4 Inc. are leaders in adopting artificial intelligence and transforming the investor relations industry from both an operational and a strategic point of view. AI, otherwise called "machine learning", can extrapolate and handle data faster than humans, and use this information for targeting investors more effectively.

For example, machine learning will soon be able to analyse thousands of conference call scripts and be able to tell if there was a change of tone among investors. Furthermore, AI has the capacity to gain access to proprietary sentiment, volatility and investor algorithms for all stocks.⁸ This capability will open up the way in which investor relations teams shape their message and provide information to investors, including perhaps what kinds of data they share with investors at key points throughout the year.

Investor relations is becoming increasingly mobile, with all processes linked to each other creating a complete "investor relations ecosystem". It would not be surprising to see IROs using "investor relations virtual assistants" in the near future for greater efficiency in their operations.

Conclusion

Investor relations, by nature, is a strategic communication function that is being transformed by technological developments. The rate of change in technology is exponential. Digitisation, social media, data analytics, artificial intelligence, and machine learning are transforming all industries outside investor relations. Investor relations teams are now faced with the need to adapt to the speed with which investors in all sectors expect information. Are you ready?

4 Bloomberg "Investor Relations, A Vital Role"

5 Bloomberg "Investor Relations, A Vital Role"

6 www.cbsnews.com/news/60-minutes-donald-trump-family-melania-ivanka-lesley-stahl

7 IR Optimizer, "The Changing World of Investor Relations" 2017

8 www.q4inc.com "Q4 launches Next Generation IR Platform"

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