

Key Stakeholders Debate Investor Relations and Social Media

By Zach Wallens, Specialist, Global Disclosure & Financial Reporting Services, [Business Wire](#)

Investor relations professionals and institutional investors have long been in a catch-22 scenario regarding social media. Though each side was curious in using social channels to engage their counterpart, both exhibited hesitation, hoping the other party would kick off using it as a business medium. In NIRI's 2016 [Social Media for Investor Relations Survey](#), the majority of survey respondent Investor Relations (IR) professionals (72 percent) noted that they did not use social media for work functions, a two-percent decrease compared to NIRI's 2013 study. When asked why they aren't tweeting, blogging or posting on Facebook, [IR professionals](#) said it was primarily due to "lack of interest in the medium by the investment community." And for those few IR teams that are using social media, very few were utilizing metrics to review the performance of their efforts.

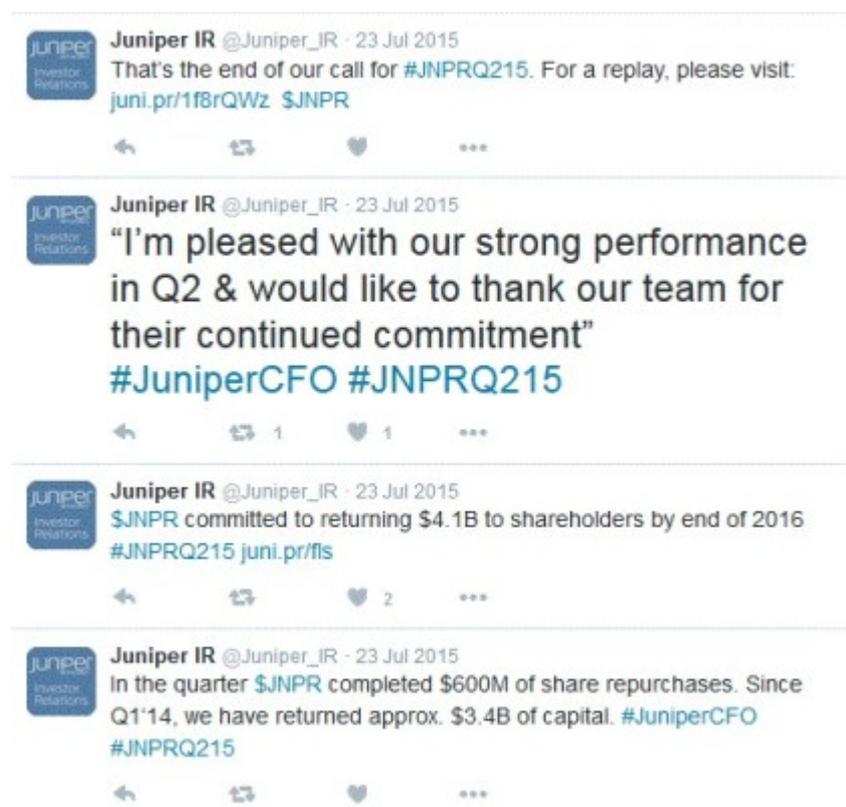
So from an IR perspective, is social media dead? While the pulse is shallow, there are some signs of life.

There are certainly some IR teams that have become more comfortable using social media, for personal and professional functions. Social platforms allow them to interact with existing and prospective investors and analysts, control messaging, and increase traffic to companies' corporate websites. It also serves as a tool for crisis communications, providing a real-time method for communicating with all their various audiences and stakeholders in the social media space.

According to [BNY Mellon's 2015 survey](#) of global IR trends, 30

percent of public companies (54 percent of mega caps) use social media for IR purposes, up from just nine percent in 2010. Some forward-thinking companies are already engaging the investment community in the social realm.

[Zillow Group Inc.](#), an online real estate database business, is one example of a public enterprise using social media for IR purposes. In addition to distributing its earnings releases via the traditional medium – a wire service – the company uses live tweets and infographics to increase the overall awareness and reach of its news during earnings calls. Zillow has always been at the forefront of social media, so when the SEC announced [new rules](#) for disclosing material information via social means, the company took the leap. Zillow’s CEO, Spencer Rascoff, [said in an email to The Street](#), “Zillow was an early adopter of social media, and for me personally, Twitter is a preferred method of communication. It made sense for us to expand our strategy to begin connecting even more with the investor community via Twitter, Facebook and our blog...”



Juniper Networks, with its multi-featured investor relations [website](#) and IR-focused Twitter account, is another example of a public company leveraging social media, in addition to traditional mediums, to publish material content. Juniper’s IR team regularly posts relevant messages on their Twitter

feed, [@Juniper_IR](#), including the announcement of their new IR

website, links to webcast presentations and live updates of their earnings call.

The role of social media is slowly changing, institutional investors say.

In April 2015, Greenwich Associates released a report titled Institutional Investing in the Digital Age: How Social Media Informs and Shapes the Investing Process. The report questioned 256 corporate and public pension funds, insurance companies, endowments and foundations in the U.S., Europe and Asia (Portfolio size ranged from less than \$250 million to more than \$10 billion in assets).

The study revealed that contrary to popular opinion, institutional investors rely heavily on social media, alongside traditional media channels, when making investment decisions – nearly 80% of institutional investors use social media as part of their regular activities. Of respondents who leverage social channels for business, 30% reported that material gathered using social media had influenced their investment decisions. Additionally, 37% had informed their company's decision-makers of information obtained on social media. This is huge news for IR teams who continue to adhere to the outdated idea that institutional investors have no interest or no usage of social for work purposes.

So which platforms are institutional investors using? At 52%, LinkedIn topped the list as the most used social platform with Facebook and Twitter closely behind.

“These results show that social media is influencing decisions that can result in the allocations of billions of investment dollars around the world,” the study's author Dan Connell, Head of Market Structure and Technology at Greenwich Associates, said

in a statement.

“With approximately 40% of the institutions globally expecting to increase their use of social media in the coming year, we’re projecting a further, rapid increase of social media influence in institutional investment markets.”

The future of social media: Divergent views

It’s evident that investor relations professionals and institutional investors view social media from very different perspectives. IR teams see a medium that is generally not utilized by their constituents, with little overall value to their communication efforts. Alternatively, institutional investors are following online accounts and blogs of public companies at a growing rate, using social media to assist in shaping their investment decisions.



These opposing attitudes are the foremost impediment to widespread adoption, and to both sides achieving the quantifiable, bilateral benefits that social platforms can deliver. Gaining an advantage from

social media, IR teams and investors should understand, is only attainable if both sides are committed to deriving value from these modern, online communication tools.

For IROs, this means abandoning their perception that institutional investment professionals have no interest in IR-specific social content. The Greenwich Associates study revealed that most institutional investors use these tools, yet IR teams, according to the NIRI survey, say sell and buy-side analysts rarely demonstrate interest in engaging via

social media. These conflicting views confirm a disconnect in communication between the two, and fosters on both sides misconceptions regarding one another's interest in social interaction.

The path to widespread adoption of social media among IR teams and institutional investors has been a long one, but it appears both have begun to grasp the truth: For public companies and investors to gain value from social platforms, each side must consider the necessities of the other.

Interested in learning more about how you can leverage social media to reach and activate your investor relations audiences? Read this free guide on the 12 [Benefits and Risks of Social Media for Financial Disclosure](#).

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