

Press Release (August 19, 2011)

Investor relations and social media: Deficiencies of online financial communications revealed

International IR 2.0 benchmark study by the University of Leipzig

Financial markets experience turbulent times. An atmosphere of high uncertainty is prevalent among investors and other stakeholders within the financial community. Even more, the amount of information and rumor distributed is increased by the internet and especially social media. Listed companies are facing the challenge of engaging in a digital dialogue to (re-) build reputation and gain trust in a highly volatile communication environment. An empirical study conducted by the University of Leipzig shows how companies in the United States, Germany, United Kingdom, France, and Japan master investor relations on the Web 2.0. By introducing a framework for financial communications and social media, the study analyzes company-owned investor relations websites as well as the use of Twitter, Facebook, YouTube and SlideShare for IR purposes. A content analysis embraced the 150 largest companies listed in DJIA, DAX, FTSE, CAC, and Nikkei. The study did reveal usage patterns and identified tools, topics, intensity of use, dialogical approaches and functions. Full results are available at <http://www.slideshare.net/communicationmanagement>.

The study highlighted a lack of consistent strategies towards online financial communications. Investor relations 2.0 is already practiced, especially on corporate investor relations websites. However, listed companies rather stick to their traditional instruments and upload presentations from investor conferences, analyst meetings, or conference calls. Dialogical approaches like blogs, chats, or other ones, which offer the possibility for feedback, are growing in importance. However, these instruments are still nascent. IR professionals are even more cautious when considering external social media platforms like Twitter or Facebook. Social media are mostly used for information purposes and not for interacting online with shareholders or intermediaries. There are significant differences between various countries and stock indices. Whereas French and UK businesses were more involved in interpretation via social media, Japanese blue chips solely referred to the information function. Businesses in the United States clearly led the field with a broad and functionally balanced social media engagement (see table 1).

Country-specific characteristics of investor relations 2.0						
Social media function	Stock index	No. of companies (N)	Average (M)	Statistical parameter		
				SD	F	p
Information	DAX	30	1.30	0.651	3.806	0.006
	DJIA	30	1.47	0.681		
	FTSE	30	1.10	0.607		
	CAC	30	0.87	0.507		
	NIKKEI	30	1.33	0.802		
Structuring	DAX	30	0.67	0.661	3.266	0.013
	DJIA	30	0.63	0.718		
	FTSE	30	0.47	0.776		
	CAC	30	0.43	0.568		
	NIKKEI	30	0.13	0.434		
Interpretation	DAX	30	1.07	0.450	10.758	<0.001
	DJIA	30	1.33	0.711		
	FTSE	30	1.23	0.504		
	CAC	30	0.97	0.414		
	NIKKEI	30	0.50	0.572		
Networking	DAX	30	0.50	0.861	16.616	<0.001
	DJIA	30	1.00	0.743		
	FTSE	30	0.10	0.305		
	CAC	30	0.10	0.305		
	NIKKEI	30	0.03	0.183		

DAX = Germany, DJIA = USA, FTSE = United Kingdom, CAC = France, NIKKEI = Japan.

Basic functions of social software according to Zerfaß & Sandhu, 2008: information (e.g., RSS feeds), structuring (e.g., social bookmarks, wikis), interpretation (e.g., podcasts, video casts, and blogs) and networking (e.g., social communities). Category in content analysis: Degree to which each function is fulfilled: 3 = fully applicable (to 100 per cent appropriate), 2 = largely applicable (to 50-75 per cent appropriate), 1 = partly applicable (to 25-50 per cent appropriate), 0 = not applicable (to 0 per cent appropriate). N = 150 (category analyzed for companies using social media on the IR website). Average = mean score; SD = standard deviation; F = F-ratio for one-way ANOVA F-test statistic. Results significant for p < 0.05. Rounded figures. Significant differences between groups (here: indices) according to social media functions found. Post hoc tests revealed further insights, see Koehler (2011).

Source: "Investor relations 2.0 –An international benchmark study" / www.communicationmanagement.de / © University of Leipzig 2011

"Keeping in mind that this research focused on international blue chips, the full potential of social media within financial communications remains idle," said Ansgar Zerfass, professor for communication management at Leipzig University. "While investor relations officers are not allowed to announce more or other information than already published in mandatory information and via traditional distribution channels, web 2.0 channels enable them to get in

contact with potential or actual investors, especially private ones by using the tools most suitable to their needs”.

Kristin Koehler, expert researcher in investor relations and project leader for the study at the University of Leipzig, added: “Web 2.0 offers the possibility of greater transparency, interaction with a broader public, and new stakeholders. Best practices identified in the study show that excellent investor relations 2.0 is possible. Several blue chips in the United States and Germany demonstrate the range of possibilities for interactive communication in an area where information is very sensible.” Table 2 shows the top ten ranking of listed companies worldwide regarding their investor relations 2.0 engagement on their IR websites as well as on Twitter, Facebook, YouTube and SlideShare. Obviously, companies listed in the DJIA and DAX outperform other stock indices. Further research is necessary to identify the drivers for these differences, which might be found in the realm of national cultures, professional role-taking and market structures.

Ranking Investor Relations 2.0				
Ranking 2011	Ranking 2010	Company	Country	Index
1	5	Cisco Systems Inc.	USA	DJIA
2	1	General Electric Co.	USA	DJIA
3	2	SAP AG	D	DAX
4	7	Hewlett-Packard Co.	USA	DJIA
5	22	AT&T Inc.	USA	DJIA
6	10	Intel Corp.	USA	DJIA
7	3	Alcoa Inc.	USA	DJIA
8	23	Bayer AG	D	DAX
9	12	Daimler AG	D	DAX
10	27	BASF SE	D	DAX

Ranking according to indices, based on content analyses of financial communications utilizing corporate websites and external platforms (Twitter, Youtube, Facebook, SlideShare) by corporations listed in the USA, UK, France, Germany and Japan (DJIA, FTSE, CAC, DAX, NIKKEI), N = 150.
Source: “Investor relations 2.0 –An international benchmark study” / www.communicationmanagement.de / © University of Leipzig 2011

Background: The Institute of Communication and Media Science, Department of Communication Management and Public Relations, at the University of Leipzig in Germany is a recognized leader of research and education in corporate communications in Europe. More than 70 books and 300 journal articles / chapters have been published by the professors. The master program in communication management offered by the institute has been ranked number one in Germany in 2010. Research in online communications is conducted on a

national as well as international level and comprises empirical studies dealing with topics as financial communication, multimedia communication, and social media governance, as well as theoretical considerations that combine communication science and management research.

Further information:

Prof. Dr. Ansgar Zerfass, Tel. +49 341 97 35040, E-Mail: zerfass@uni-leipzig.de

Kristin Koehler M.A., Tel. +49 173 9801555, E-Mail: kristin.koehler@uni-leipzig.de

www.communicationmanagement.de