The Cost-Effective Guide to Expanding Corporate Access

How to open new doors with analysts and investors without burning the balance sheet

Research Reinvented

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WELCOME TO

The Cost-Effective Guide to Expanding Corporate Access

How to open new doors with analysts and investors without burning the balance sheet

Investor relations officers (IROs) want to be more accessible to analysts and investors.

Some are handed substantial resources to pursue this goal, while others have less to work with. Regardless, IROs almost always deploy strategies they think would maximise quality reach.

One commonly adopted best practice involves steering clear of mass outreach campaigns, opting instead to use a more targeted approach. Are there other ways IROs can refine and/or pivot their methods?

This ebook offers some practical advice aimed at making incremental improvements to your current IR modus operandi.

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Investor Relations: How to Win Friends and Alienate Spammers

The tussle between expanding accessibility and preserving privacy must be confronted

Older communication technology like the telegraph and the telephone could slow business down to a crawl back in the day.

Can you imagine delaying a business decision because you're stuck waiting for key information that's on its way to you via telegram, or having someone camp out by the landline so you don't miss that critical phone call?

Thankfully, these days we don't have to. We are now able to search for information with just a click, contact people on multiple channels, and make decisions and execute on them much more quickly and efficiently.

That's the theory, anyway. It turns out that things are a little more complicated in practice.

Trying to Cut Through the Noise

But what does this have to do with Investor Relations? Here's a very common example: An investor is interested in Company X and manages to source various bits of information online, either through the company's website or via analyst reports.

The next step in the investor's data-seeking quest is to actually get in touch with the company. But what they realise is that there's no easy way to contact someone for that purpose. Ironic, given the communication technology boom we just talked about.

It's as if the unprecedented availability of information and communication channels has led to the exact opposite outcome: People and companies batten down the hatches, blocking all attempts at communication with generic email addresses and contact forms.

That's one way to deal with spam and other unwanted communication but this also keeps away legitimate contacts that could bring value to the business.

Why Does This Happen?

It seems there really can be too much of a good thing. Various parties have taken advantage of the boost in communication tools to spread their message and artificially increase their reach, but not necessarily in a targeted and focused way.

Tech firms are hired or contracted to scrape websites and obtain as many email addresses as possible to grow a business's database and then claim that their distribution lists contain thousands of contacts. They may not be relevant or useful contacts, but that doesn't matter!

Like all of us, IR departments hate that deluge of spam that might bury important emails, which is why no one shares a direct email address.

But while they might shield themselves from spam, the resulting quiet can be misleading. They might think that all the necessary information is already out there and they just need to wait for investors to show up at their doorstep. When in fact, communication has broken down.

Think Out of the Box

Don't miss out on golden opportunities to reach investors who genuinely want to engage with, and invest in, your company! Why not take advantage of platform solutions, like spam-free IR networks? You will be surprised how useful they can be.

MiFID II Opens Up a Whole New World of Corporate Access for IR Teams

How regulatory disruption levels the IR playing field for small- and mid-caps

Corporate Access has traditionally functioned with the sell-side strategically placed in the middle.

The sell-side typically organises meetings with company management teams for the buy-side because they are well aware of their clients' investment theses and can arrange for the right meetings.

MiFID II Alters the Landscape

The inception of MiFID II changed the landscape, as services like research had to be stripped out and paid for separately. Since corporate access was a bundled service, there was no straightforward way to derive a fair price for it.

Factoring in the operational costs of setting up these meetings is one possible route to formulate a basic pricing model. The easiest way could be to base it off the salary needed to employ someone to do the job, coupled with the logistics costs involved.

However, a study conducted by IR Society and QuantiFire has found that 51 percent of investors do not intend to pay for corporate access. In fact, 52 percent plan to reduce the use of the sell-side for corporate access services.

And for good reason: The sell-side might be incentivised to only present the buy-side with access to specific companies, which meet the firm's broader client profile i.e. large-caps, as they tend to draw greater remuneration.

Uncharted Territory

Most of the sell-side have already reduced the number of conferences and the size of their teams. The resulting gap in the market leaves investment firms with little choice but to engage corporates on their own, and vice versa.

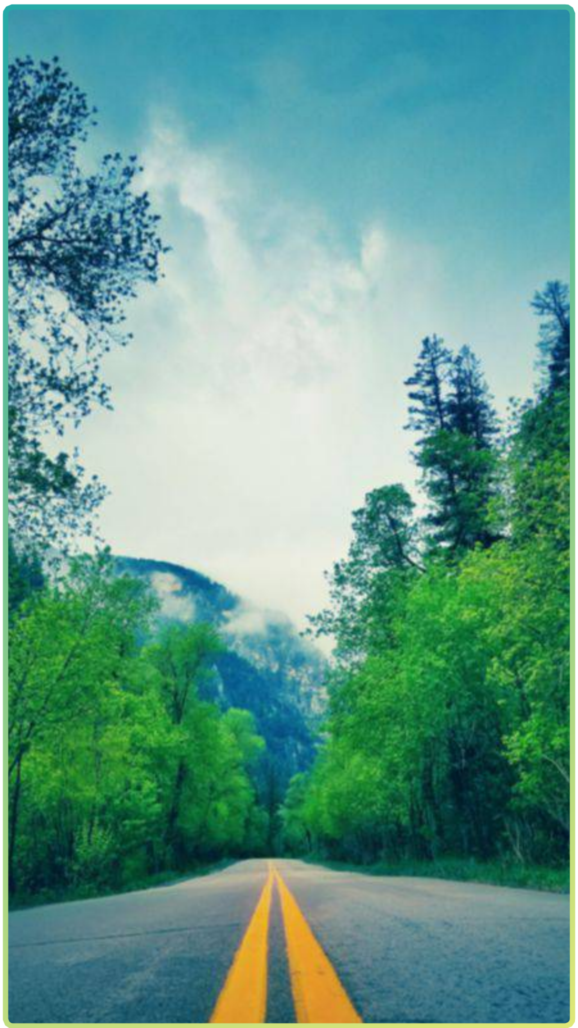
In response, some buy-side players have gone as far as creating internal corporate access teams to meet their needs, rescuing themselves from sell-side dependence and the sky-high fees they do not want to pay.

Even so, not all firms have the budget to build such an extensive in-house capability – perhaps only sovereign wealth funds and big investment firms can do that.

Corporates, which have benefited from past sell-side introductions to investors, would potentially have to create new budgets to service this investor demand. Alternatively, they could consider outsourcing to reduce this cost, albeit marginally. Small- and mid-cap companies might not always have the bandwidth to do that.

The Change in the Corporate Access Model Actually Empowers Corporates

Sometimes, tectonic shifts in the status quo can be an advantageous force. Imagine a workable corporate access model where the buy-side



and corporates are directly in touch, completely bypassing the overpriced sell-side conduit.

Could there be a way for the buy-side to avoid setting aside a separate budget just to gain access to corporate management teams? What's stopping the buy-side from picking a company of interest and seamlessly connecting with them? Could corporates be empowered such that they can be accessible without a middleman? Could there be a way to interact with the buy-side without paying exorbitantly?

Corporate management and investor relations teams would be well-advised to keep a lookout for a network-based solution that gives them direct access to the buy-side, and vice versa.

Invest in Relationships That Last the Downturns

Because there's no downside in building genuine connections

If we break down the term "investor relations", the "relations" part is key. Not to say that "investor" is less important – the point is that maintaining relationships is the most important aspect of this role.

Who Are These Stakeholders?

It's a mix of internal and external stakeholders. Internally, the investor relations manager needs to build and maintain a trusting relationship with senior management.

Internal relationship building is a two-way street, requiring unhindered communication from all sides.

It is only through good internal relationships that the IR manager receives the right information, and can share the honest truth with external stakeholders.

External stakeholders include investors and analysts. Some analysts might have already written about your company, while others are tracking it and waiting for a corporate event to go ahead with their analysis.

How Does Investor Relations Build Relationships?

With Existing External Stakeholders

IR teams diligently share updates through regular emails, phone calls, and conferences. These are some ways in which they typically manage their relationships so they can build stakeholder trust and demonstrate transparency, in addition to the disclosures they share during these interactions.

With Potential External Stakeholders

This is a bit trickier, as there are at least three steps that go into building a relationship from scratch.

1. First, investor relations teams need to identify who could be a good fit.
2. Then, find a way to bridge a connection with these prospects.
3. And finally, convince them that their company is worth analysts' time or investors' money.

Hold on to that thought.

What Is a Relationship and Why Build One?

As part of relationship building, stakeholders feel more comfortable with corporates who make the effort to be more open and communicative. It gives the impression that a company is transparent and honest in its dealings.

There is no downside in building a relationship. However, there is a downside in failing to build one with relevant stakeholders. It's even worse when unfortunate events impact your company.

For instance, suppose your company gets thrust into the limelight because of a rogue employee who has embezzled funds. If external stakeholders do not share a relationship with the company, they would be less inclined to believe that the incident is an isolated case.

This is how one rotten apple tarnishes the sterling reputation of the whole bunch (employees and management), potentially leading to a drop in the share price and the company's value.

Such unfortunate events can give rise to misconceptions as stakeholders have no understanding of the company's management and how forthcoming it is at a time of adversity.

Bottom line: To avoid these headaches, make your company as accessible as possible.

Epilogue

So what if you have access to large numbers of analysts and investors? With no coverage nor investment to speak of, they are merely poor-quality connections.

It's not uncommon to see IROs work themselves to the ground in search of fresh opportunities to improve corporate accessibility. Unfortunately, because their efforts get judged by the end result, it makes more sense to work smarter.

Small changes to an IR team's approach could create large, positive outcomes. And it's on this basis that we hope this ebook has pointed you in the right direction of where, and how, to tweak your current outreach strategies.

For an all-encompassing solution to your corporate access woes, why not consider Smartkarma Corporate Solutions? It allows you to discover and proactively add new analysts and investors to your network of IR contacts, all while being constantly within reach to answer questions.

Find out more about Smartkarma Corporate Solutions:
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