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Top Ten Ingredients for a Successful IR Program

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In today's turbulent economic environment, investor relations has taken on a much more important role. With investor trust at an all-time low, a solid investor relations program can truly make a difference in a company's market valuation. Here is a "top ten" list to gain Wall Street's trust and make your program a successful one.

10. Presentation/communication skills

According to a survey conducted for the National Investor Relations Institute in September of last year, 92% of the respondents conduct quarterly conference calls to an average of 161 listeners, and 90% webcast their calls. Road shows and conference calls are in many instances the first opportunity investors have to hear what senior management has to say, first hand. Furthermore, in today's age of instant information there are no walls separating the channels of communication, so not only does the company need to be presented accurately and with clear precision, but the communication must be consistent across all venues. This includes the trade and business media as well as analysts, investors, employees and customers.

9. Ability to target analysts

In the same NIRI survey mentioned above, 91% of the IROs listed building buy-side interest as one of their top goals, and 69% included the sell-side. There are several resources that can help target analysts. Use them! And be smart. With the influx of public companies any analyst will tell you his time is valuable, so don't waste it. First, make sure your company fits his investment criteria. Then establish a common profile. If he's buy-side, what industries does he prefer? Is he primarily a momentum player or a value player? How much does he typically like to invest? What are his funds' performance requirements? If he's sell-side, what are his ratings histories? How does he value the companies he follows? Who does he follow and why? Once you've developed that target list, then it's important you provide them the information so that they can profile you and establish the criteria they need to put you on their target list.

8. A current, comprehensive and easily navigated IR Web page

In a recent study of over 1,600 American and European Internet users conducted by Stanford University's Persuasive Technology Lab, it was discovered that companies that fail to do something as simple as checking the spelling on their corporate Web sites risk damaging their online credibility just as badly as if they faced financial and legal troubles. Also listed among the highest negative influences were failure to update copy, broken links and poor site navigation. The Internet has become the primary means by which companies communicate with individual investors, and your Web site is typically the first place an investor looks for information. So a comprehensive IR Web page with current information is critical. And the importance of the IR Web page will increase with new SEC proposals, which encourage the posting of a company's 10-Ks, 10-Qs and 8-Ks. At the least, your IR Web page should include current and archived press releases, a corporate profile, contact information and an archived audio of the last conference call. A comprehensive IR site should also include the annual report, links to SEC filings, biographies of senior management, calendar of key events, stock price data, transfer agent information and FAQ's. Also suggested are the latest road show presentation and detailed information on the company's products and services.

7. Knowledge of your shareholder base

Who are your largest shareholders? What is your shareholder mix? Is your shareholder mix the right one for your company? Institutions tend to drive price, while individual shareholders, with the exception of day traders, tend to be more loyal, holding on to stocks longer and during more turbulent times. Knowing the traits of your shareholders can help drive the predictability of your stock, which in turn determines your communications program. For example, companies in the retail and consumer sectors that understand the power of brand loyalty and can turn customers into shareholders may set a higher mix of individual investors as their goal. On the contrary, firms needing a large infusion of capital and desiring quicker recognition from investors for their success in achieving business results would likely have a heavier focus on institutional investors.

6. Financial knowledge

In the September NIRI survey, the majority of IROs stated the ability to interpret financial performance as the most important capability in building investor confidence. Historical financials are a roadmap to a company's future performance. Reading an income statement or balance sheet or providing numbers is one thing. Being able to communicate with confidence what those numbers mean and how they portray your company's future prospects is entirely different.

Investors are savvy; the media is savvy, so as Wall Street's primary contact with the company, you should have an intricate knowledge of your company's performance, how that performance ranks with its peers, and the effects it could have on future performance.

5. Access to senior management

Access is most productive when it is viewed by management as a two-way street. As the company's spokesperson, the IR professional will need to have full knowledge of ongoing activities, management's concerns over those activities and what their next steps will be. Then you can determine what your investors' "hot buttons" will be, good and bad, and develop the appropriate messages addressing those issues. On the flip side, senior management and the Board need to look to the IR professional for important input from the market, including general market intelligence, shareholder feedback and opinion and peer group analyses as well as reactions toward corporate development, intelligence on the competition, reactions to financing decisions, perceptions of new products or services, etc.

4. Crisis communications plan

Rumors can run rampant. Log on to just about any message board and you'll see that firsthand. So for any company, no matter how safe the business, a crisis communications strategy is extremely important to maintain investor trust. Timeliness is a key issue when combating bad news, so determining how to address certain issues before they occur will allow you to act immediately, lessening the impact to or perhaps even enhancing the image your company has with the Street as well as with vendors, customers, employees and the media. A good crisis communications program that lays out the company's strategy can even thwart a would-be crisis. Nothing builds confidence better than this.

3. Clear business strategy

In the September NIRI survey, long-term strategy development and execution were among the key non-financial factors influencing a company's investment appeal. And in a panel hosted by Thomson Financial earlier this year, failure to articulate a long-term strategy or vision was listed as one of the five key causes for investors to lose confidence. Most CEOs have a clear strategy in their heads, but have difficulty communicating that strategy, and when that happens it's very difficult for their subordinates to execute. By helping the CEO effectively communicate the company's vision, goals and objectives, the direction on the company is made clear to the Street and to management, and execution flows much more smoothly. A clearly communicated strategy also promotes clearer performance measures, so things can be "fixed" before they get out of hand or the strategy as a whole can be assessed before any damage is done to your company's image.

2. Transparency

Now here's a key buzzword in the wake of all these corporate restatements - and for good reason. In the aftermath of numerous corporate accounting disasters, SEC chairman Harvey Pitt has publicly stated, "The goal of the SEC is to ensure that our financial markets are transparent and fair to all investors." Stricter accounting rules and disclosure requirements are inevitable. This creates an opportunity for IR professionals to take a proactive position and implement a policy of financial transparency now. The investment community has been severely shaken by the recent corporate events, so those companies that come out now with better detail on their financial statements are likely to gain investor trust faster than their peers.

1. Credibility

Of course, this is a no-brainer - the number one ingredient for a successful investor relations program is credibility. Without it you're dead in the water, and once you lose it, it's very difficult to win back. But, if your program has the other nine ingredients listed above, credibility will be your result, and you will be rewarded with a strong shareholder base, good sell-side representation, a reputable management team and a comparably healthy market valuation.

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