

INVESTOR RELATIONS IN THE BLOGOSPHERE:

Best Practices & Lessons Learned

New media presents a challenge—and an opportunity—for investor relations professionals. That was the consensus among four industry experts presenting in a Kennedy Information/IOMA webinar May 6.

More than 25 percent of Google searches for the world's 20 largest brands call up links to consumer-generated content.

Everyone Is a Journalist

"Blogging is the Gutenberg press of our age," says Todd Defren of SHIFT

Communications. "Just as the Gutenberg press made books available to the masses, so has the Internet. The press is no longer controlled by traditional media. Now everyone can be a journalist—and that changes the corporate-media interaction process in a significant way."

Defren notes that new media gets attention and gets read. More than 25 percent of Google searches for the world's 20 largest brands call up links to consumer-generated content. Not only that, but a well-crafted, well-tagged blog entry will be picked up by search engines like Google and can quickly rise almost as high in the Google page listings as the corporate Web site itself.

Consultant Roger Wu calls Google "the Great Equalizer" for that reason. Blogs that

cost nothing to produce often have equal visibility with million-dollar corporate sites. Wu drove the point home with a Google search of the term "Wal-Mart." The search results are fascinating. The various Wal-Mart corporate sites are listed prominently on the first page of the Google listings, but the listing for WakeUpWalmart.com—an activist Web site—also appears on that first page.

Impact of Blogs

A single blog with many readers can have a surprising impact on a company. As an example of media blogging, Wu cited the Endgadget blog about the several-month delay of Apple's iPhone and the Leopard system. Based on an internal Apple e-mail that was later retracted, the message read in part: "We have it on authority that as of today, the iPhone launch is being pushed back from June to October, and Leopard is again seeing a delay, this time being pushed all the way back to January."

Even though the posting was later retracted, Apple's stock dropped significantly that day. It rebounded as soon as the blog posted a correction.

John Palizza, founder of Palizza Partners who has spent a year blogging about IR, says

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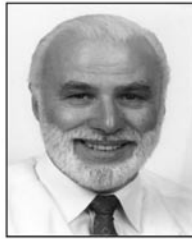
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most of the user hits he gets on his blogs are for entries about unfolding corporate incidents and controversies. "So if your company does something that is compellingly stupid," he warns, "I will probably write about it."

Bad Blog Worse Than No Blog

Most IR professionals have heard the stories about Whole Foods Chief Executive Officer John P. Mackey anonymously bashing his competition online (reported in the September 2007 issue of *IRN*) or the scandal about Wal-Mart's fake travelogue blog called "WalMarting Across America" that turned out to be financed by Wal-Mart itself.

Less known perhaps was the story about Wal-Mart competitor Target's dismissive response to bloggers' comments posted on ShapingYouth. The blogger complained about a distasteful billboard that appeared to target the model's crotch.

Target responded to the complaint with a curt e-mail that read: "Unfortunately we are unable to respond to your inquiry because Target does not participate with nontraditional media outlets."

This resulted in an online brouhaha and the kind of press any corporation would dread—a negative article in *The New York Times* titled "Target Tells a Blogger To Go Away."

Bad Press Can Last Forever

Unlike paper, electronic media has a long shelf life. Often negative blogs and stories stay up online for months—or even years. To make this even more of a concern for

IROs, traditional media are monitoring new media even if you aren't, says Defren.

"When publishing is free, and Google remembers everything forever, control is an illusion. By remaining silent—or refusing to divulge information—you actually lose control," he notes.

Defren suggests that companies make the first gesture to their customers and shareholders, using new media to develop open, honest communication and to respond to online queries with respectful responses. This can boost a company's reputation, especially since so many corporations have yet to fully utilize online communications.

Blogging Creates Good Will

There is a benefit for companies that make the effort to reach out online simply because the various channels are relatively new. Customers and media are appreciative and give interactive companies a lot of credit. Sometimes an investor relations negative can turn out to be a positive, depending on how it is handled.

Defren gave the example of Jeff Jarvis who began blogging about problems with Dell's equipment. The blog got a lot of online notice and became a major PR problem for Dell.

But Dell's well-executed response contributed to a reduction in negative ratings. The company created an interactive response team that now monitors blogs and interacts online daily. Specifically, the team

uses Google search and Twitter search to check for any mention of Dell—positive or negative. Once something is picked up, they reply immediately. If there is a service

‘Discovering and engaging the important bloggers in your field can pre-empt or modify criticism.’

complaint, they also send the information through to customer service for an immediate response.

Another example is American Airlines. The company started an emergency response blog for stranded passengers and their families during those two to three days recently when many passengers were grounded by cancelled flights. The blog won a lot of praise, even though it didn’t speed up the flights. Just knowing that a real person was listening and responding was helpful for many customers.

“Corporate blogging can help personalize a company, and it makes stakeholders feel important and thus loyal,” says Defren. By engaging with external bloggers and treating them as professionally as you would treat traditional media, you can head off trouble if an issue arises.

Defren suggests that blogs are simply one new media tool among many others, and the main focus as always should be communication—with shareholders, media, and others who are interested in your company.

Overcoming Management Resistance

Hank Boerner, chairman of the Governance & Accountability Institute, says that selling new media to senior management can present an initial challenge for IROs.

“Management generally prefers certain types of information dispersal to be one-way, controlled, and one-size fits all, and that includes financial news,” says Boerner. “They are more comfortable with traditional media—print publications, TV, and radio. These are the media that senior managers and boards understand. New and hybrid

media, including podcasts, Web blogs, YouTube, and social networking sites are often unknowns and can cause anxiety—no doubt about it.”

So why should IROs advocate jumping into something with so little control and so many facets and pitfalls? “New media is not going to disappear,” says Boerner. “IROs have to convince management that actively engaging in blogging can be advantageous. For one thing, discovering and engaging the important bloggers in your field can pre-empt or modify criticism. It’s much more difficult for a person to disparage a company that he or she has made a connection with.”

Boerner monitors shareholder activists’ blogs and says there are countless dialogues going on about divestiture, environmental issues, governance, and social responsibility issues. Bloggers even share company ratings, he says.

“There is a very robust communication. Facts, data, and opinions fly around the world daily. Two things to be watchful for,” says Boerner, “are whistleblowers and employees sending out communications the company may not be aware of. These folks can do some serious damage,” he says.

Where to Start?

One good place to start is with a policy that outlines the legal parameters a company will set for using new media. If you don’t already have a policy, think about how your company will deal with:

- shareholder activists targeting your firm,
- new media reporting on your company,
- rating services characterizing your firm, and
- new rules for disclosure and transparency.

Not every company or IRO has to start with a complete blogging team and daily

missives. There are levels of involvement online, ranging from “active listening” to the full corporate blog.

Tools like GoogleAlert, Digg, and RSS feeds can be set up to alert you to any comments made about your company so that you can respond in a timely manner. For the Internet, “timely” basically means “immediately,” says David Collins, partner at Jaffoni & Collins.

“An emergency PR situation can come up within minutes—and within a half hour, there could be a hundred responses fanning out on the Web.” Quick action can quell rumors, reassure shareholders, or gently refute opinionated blogging.

“IROs should develop positive relationships with bloggers,” says Collins. “Then let them deliver your story to the world.”

Or you might use a single voice to get the word out. Roger Wu pointed to the company blog of Jonathan Schwartz, CEO of Sun Microsystems. Called Jonathan’s Blog, it links off the Sun Microsystems Web page. In a recent posting to Jonathan’s Blog, Schwartz discusses the company’s difficult third-quarter results—in a way that gives a very personal, human touch to the company. Schwartz also uses the new microblog service Twitter as a communication tool under the name “Mr. Sun.”

Who’s Blogging Out There?

Almost 12 percent of *Fortune* 500 companies are currently blogging, including Amazon.com and Comcast, which just launched customer service via Twitter.

Even though new media channels and platforms are growing, that doesn’t mean this media is for everyone.

Collins says it is important to consider why you want to create a company blog and suggests you also ask the following questions to guide decisionmaking:

- What goals would the blog support?
- Who will take ownership?
- Is there enough material to keep it going?
- Does it truly extend the dialogue?
- Is your company large enough?
- Is there enough demand?
- What are the competitive considerations?
- What are the marketing considerations?

Panelists’ Advice for IROs

Whether corporations like it or not, more bloggers are coming online daily, and every one of them has the tools to target your company,” says Palizza.

“IROs cannot afford to be passive observers,” says Boerner. They need to get online—and they need to become conversant in the media.

“IROs are already skilled at communicating with stakeholders and telling the company’s story,” Boerner adds. “The new media channels are ideal for that purpose. New media is a viable avenue for positive corporate visibility and dialogue with stakeholders.”

A CD-ROM of the webinar may be ordered online at www.kennedyinfo.com/IRGEVENTS. The cost is \$275 for the full webinar presentation with visuals, or \$99 for the recording only. □

Coming in future issues of IRN

- **CFO Pay Up 7 Percent:** Finance executives averaged a 5 percent increase in salary in 2007, while other types of compensation were down.
- **Study Finds Hedge Funds Stoking Market Volatility:** Hedge funds are playing a major role in the unusually high market volatility seen in recent months, according to a special report titled *The STA’s Perspective on U.S. Market Structure*.