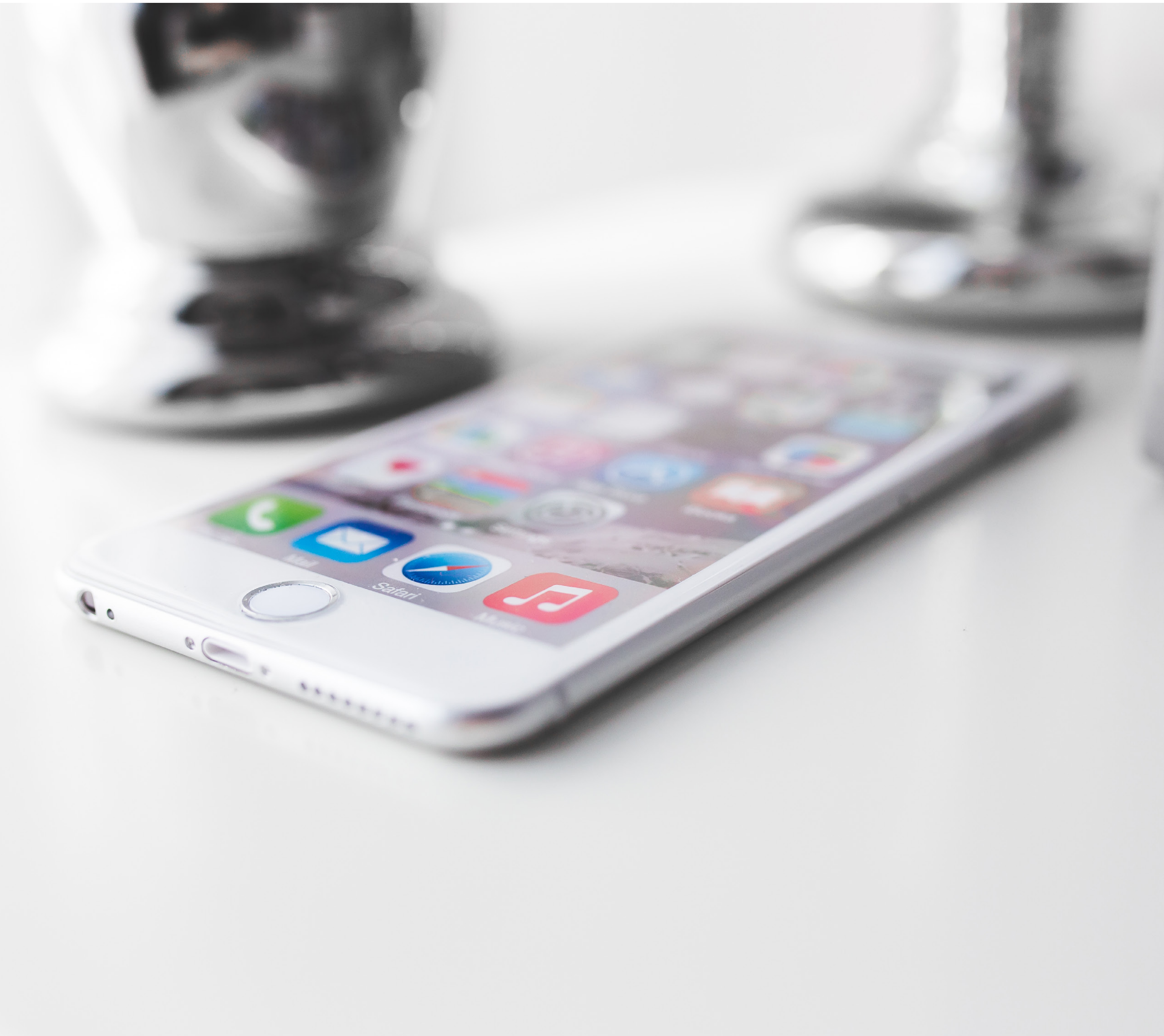
Best Practices for Investor Relations in the Mobile Age

June 2016



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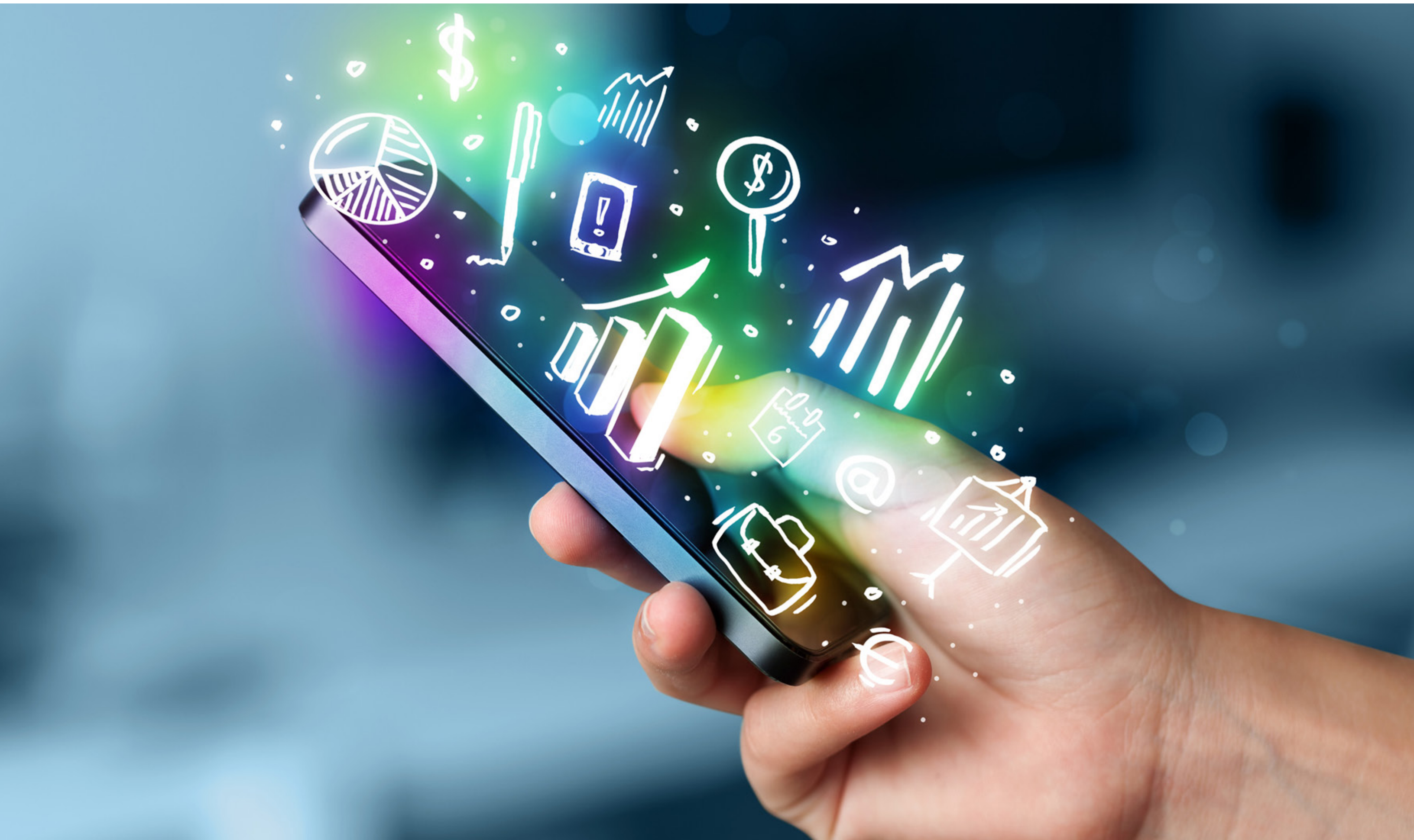
INTRODUCTION

Smartphone technology is moving at an incredible pace, just as mobile device adoption becomes universal fact. Digital communication tools and online access have become ubiquitous within the global community, and smartphones have been seamlessly integrated into the day-to-day of practically all business operations.

Not surprisingly, smartphones have also granted investors ready access to a constant stream of financial information online, and they now expect to find it all in one convenient location. As a result, mobile apps have quickly been established as requisite for modern investor communications.

Recognizing the mobile app's potential to deliver shareholders with unparalleled access to key company insights, many IR professionals have already leapt on this trend. Given the platform's seemingly unstoppable momentum, the integration of mobile applications into investor relations programs has become a question of not if, but when.



GLOBAL SMARTPHONE PENETRATION

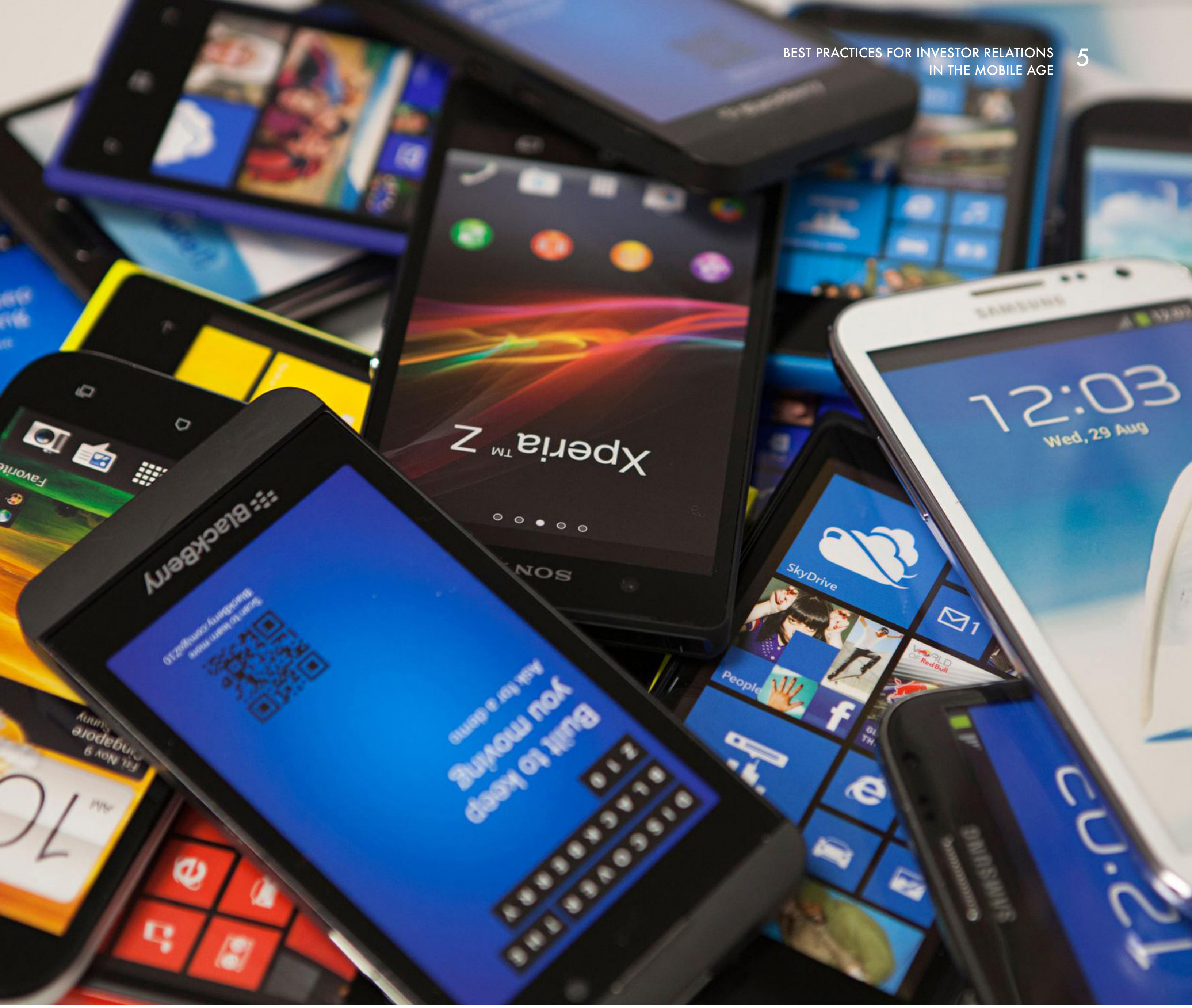
Smartphone adoption is currently moving at an unprecedented pace compared with technological devices of the past. In the world's top 47 markets, smartphone penetration has already reached 55% – and will rise to two-thirds by 2018. In total, 2 billion consumers worldwide currently own smartphones, and one-third of the global population will own one by 2018.

Leading the charge are countries like Singapore, where the rate of smartphone penetration now tops 90%. Indeed, in the Asia-Pacific market alone, there will be 2 billion smartphone users by 2020, with Hong Kong, China, Taiwan, South Korea, Australia, and New Zealand all expected to approach 100% adoption rates in the next four years.

Smartphone use is near-ubiquitous in these markets thanks to two leading factors: 1) in rural areas, smartphones and other mobile devices represent many citizens' primary means of internet access; and 2) individuals in these nations' urban markets are by-and-large opting for mobile devices over PCs. Not coincidentally, Asia-Pacific is now home to the world's largest retail e-commerce market.

Usage rates are also high – and rising – in the U.S. and European markets, where penetration has reached 77% and 60.5%, respectively.
Unsurprisingly, it's the world's youngest user segments spearheading this trend, as 86% of American millennials now own a smartphone.

But mobile devices are not just enabling internet access – they're the dominant means of digital consumption as well. By 2017, 63.4% of mobile phone users around the world will access the internet via their devices, and in both the U.S. and the U.K., mobile internet usage already exceeds that of PCs.



Mobile applications in particular are gaining massive influence over today's society. 52% of all time spent on digital media happens inside mobile apps, regardless of device. And among smartphone users, apps account for 89% of all usage, which adds up to, on average, *37 hours every month*.

Of course, smartphone use extends far beyond consumer applications, and in the financial technology (fintech) sector, they've heralded a true mobile revolution.

FINTECH AND THE MOBILE REVOLUTION

It was only a matter of time before the smartphone revolution spilled into the business sector. The fintech industry in particular has embraced the mobile platform with open arms, transforming how businesses and their investors communicate on a fundamental level. Today, mobile platforms are used for just about every aspect of daily finance operations, and mobile integration has become a baseline expectation for both current and emerging players.

Recent statistical evidence supports this claim: worldwide fintech investment leapt almost 56% in 2015, totaling $19.1 billion. While this number is relatively small in comparison to the global banking market, its rapid growth is nonetheless astounding, and the world's biggest banks are scrambling to confront this disruptive trend by adopting mobile technologies themselves. As the *New York Times* reports, only 28% of U.S. citizens paid a weekly visit to a physical bank branch in 2014 (down from 40% in 2010), while the same percentage reported making weekly mobile banking transactions — the culmination of a 300% increase over the same four-year period.

Notably, the rise of mobile banking has been largely consumer-driven, as users increasingly demand on-the-go control over their finances. As a result, eMarketer predicts, mobile payment transactions in the U.S. will grow by 210% in 2016.

This is doubly true for investors, who, in the wake of the 2008 financial crisis, are rightfully calling for more consistent access and greater transparency. As the Harvard Business Review notes, boards have also sought more open communication with shareholders, thereby boosting investor confidence and also helping companies weather public relations storms.

The technology driving this revolution has, of course, been the mobile device, and by extension, the mobile app.

PUBLIC COMPANIES ARE ALREADY STARTING TO REACT

IR professionals the world over are assessing where mobile communication sits inside their investor relations program. There is the two-edged fear of falling behind their investment peers but also not wanting to waste budget and resources on the wrong strategy. Given the fact that 49% of investors use investment apps throughout the week, companies risk falling further behind the curve if they don't roll out a mobile option soon – a reality 88% of IROs recognized as early as 2013. Since that time, hundreds of public companies have embraced smartphones as a key component of their shareholder engagement program, and they continue to play a role in meeting the increasing demand for broader, more transparent communication.

This demand for more information on a company's vision and plans for the future was emphasised by BlackRock CEO Larry Fink in a letter he penned recently to hundreds of S&P Top 500 and major European corporations. BlackRock, which manages 4.2 trillion dollars, is asking companies to spend more time outlining their long-term growth plans and less time immersing themselves in 'today's culture of quarterly earnings hysteria'. The very connected nature of smartphones will ensure they play a pivotal role as the lines of consistent communication begin to open up even more.

IROs have also embraced the growing prevalence of social media and its compatibility with mobile devices as a further opportunity for engagement with investors. Indeed, many IR teams have added dedicated social media managers to engage the 80% of institutional investors who use social networks for daily intelligence gathering. Social media can be quite fickle, however, and quickly shifting public sentiments are well-known to be powerful market drivers. It's essential that corporations are able to confidently control social media narratives, especially in the midst of crises.

Many corporations are also adapting their existing online resources for mobile users – typically, this has meant creating a mobile-responsive website, which works on both smartphones and PCs, or developing a dedicated mobile site. While these are considered generally satisfactory measures, they fail to incorporate mobile's specific advantages over desktop browsing, such as one-touch navigation, notification alerts and personalized, proactive messaging.

However, some companies are drawing favorable attention for creatively integrating mobile business strategies. For example, in a highly publicized event last year, the international real estate investment firm Deutsche Euroshop live-streamed their annual general meeting (AGM) via the free mobile app Periscope. The media response was extremely positive, breeding discussions about how mobile offerings can solidify a corporate reputation as both tech-friendly and transparent.

Today, many corporations agree that an entirely different approach may be optimal for reaping the benefits of digital communication: a branded mobile application. Plenty of massive global entities, including Unilever, Marathon, and Kingfisher, have rolled out bespoke mobile apps, enjoying the combination of massive scalability and seamless accessibility.

Still, many companies have yet to to develop a mobile presence in any form, despite the clearly pressing need for one. For these institutions and others just beginning to embrace mobile, the key consideration is not if they need a presence on the platform, but which channel will produce the most impactful engagement with their shareholders.

BREAKDOWN

MOBILE WEB VS. MOBILE APPS VS. SOCIAL MEDIA

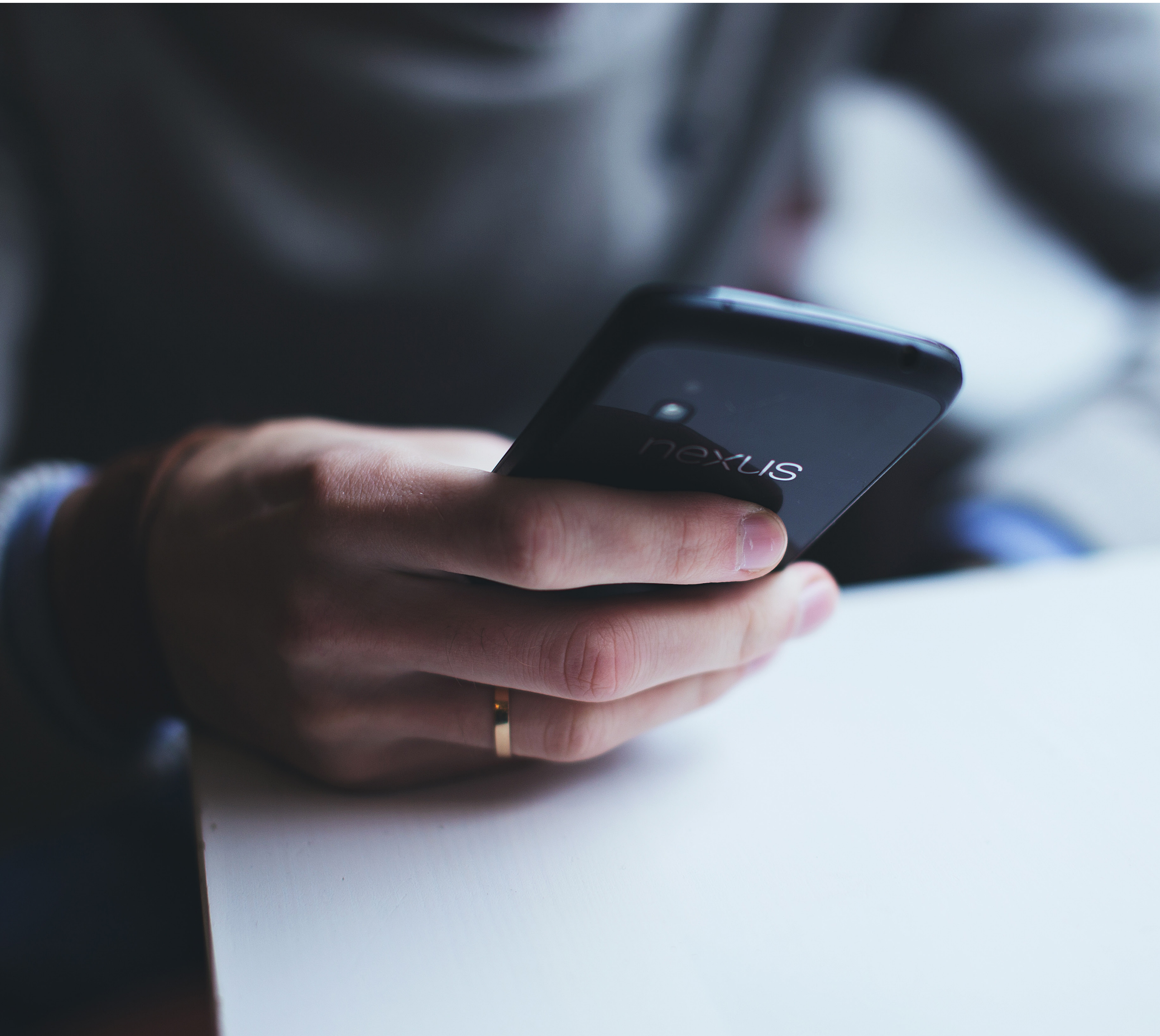
To determine where IROs should focus their mobile investments, let's take a closer look at the three most popular mobile options we've discussed so far: responsive websites, social media, and mobile apps.

Responsive websites are exactly what they sound like: corporate websites that have been programmed to accommodate mobile screen sizes and and touch-based navigation. Because mobile networks like 3G and LTE are relatively slow compared to broadband, however, responsive sites often strip down a site's content or lower its visual quality to enable faster loading speeds. Still, these sites work far more effectively on smartphones than a standard HTML site, plus they save companies the steep cost of building a mobile-specific site.

Social media offers the key benefits of real-time updates, direct shareholder engagement, and public visibility. For IR teams, it's much faster and less cumbersome to respond to an evolving story over social media than it would be using their corporate website, for example. However, social media sites should never serve as a business' primary hub for online engagement, primarily because there is too much third-party input. Not only can the message be last among a sea of opinion and comment, it can be downright risky to rely on a third-party platform to communicate with your company's stakeholders. While it's technically legal in most jurisdictions to post financial disclosures to social media platforms, doing so dramatically increases a company's risk of finding itself in hot water from a legal, regulatory, or PR standpoint.

Mobile applications represent the best of what social media and responsive websites collectively have to offer. Like responsive sites, mobile IR apps are formatted for easy, intuitive use, but have the added benefit of smoother, one-touch access from a smartphone's home screen.

Furthermore, apps don't require users to physically log onto a website, the speed of which can be hampered by poor service quality and the multi-step process required to reach the IR section of a corporate website. Instead, auto-updates allow users to easily retrieve their investment information at any time, even when they're using their device offline. And like social media platforms, apps facilitate instantaneous user engagement: tailored push notifications, real-time alerts, and banner messages all allow corporations to relay breaking news and financial updates, or comment on an evolving story.



The easy accessibility of mobile apps thus provide a viable alternative to the pitfalls of corporate email communication. With the email overload that the average person faces on a daily basis, coupled with filters that hide regularly occurring email from one's inbox, it becomes highly likely that messages intended for investors will never be opened or even seen. Mobile apps eliminate this possibility with push notifications and instant communication.

And it's not just the corporations that stand to benefit from mobile app implementation. In fact, 85% of users prefer apps to mobile sites, finding that their ease of use, convenience, personalization, and faster load times are unparalleled. For investors, apps are also an invaluable tool that help cut through the dense cloud of opinions that pervade the internet and email in-boxes – in other words, they're a trusted point of financial reference in what is often a sea of diverse opinions and misinformation.

As the Head of IR at a top 50 U.S. company explained to ShareholderApp, "I have literally millions of investors spread across the globe, so it made sense for many reasons to add an IR-focused mobile app to our program. Even if 5% of my share register use the app regularly, it is still very much a justifiable expense."

Another way of saying that is, in today's investment climate, the ability to confidently reach your base isn't just a perk – it's a mandatory element of any successful IR program.

INVESTORS TODAY EXPECT PROACTIVE COMMUNICATION AND SEAMLESS ACCESS

The reality is that IR professionals aren't the only ones demanding open communication. Shareholders themselves are playing increasingly active roles in corporate governance, and they can now collectively shape a company's public image. In days past, corporate boards tended to limit open shareholder interaction to the AGM, where the largest, most influential investors had the loudest voice and greatest influence. Today, it's become a baseline expectation that all stakeholders, including small retail investors, are given the opportunity to proactively communicate with company leadership, as well as retain seamless access to financial information.

Of course, public proxy fights and investor activism campaigns have garnered serious media attention, and corporations everywhere are wary of facing similar crises. These activism campaigns have proven especially impactful, as *The New York Times* explains, historically boasting a success rate of approximately 75% and often producing large settlements.

In response, corporations have made concerted goodwill efforts, granting institutional investors greater control in proxy voting and improving transparency into corporate governance processes. Incidentally, the same digital channels that have enabled stakeholders to air their grievances have also been used to bolster communication between parties.

As Niels Lemmers, Director of Legal and Public Affairs at VEB and Managing Director of European Investors, told ShareholderApp, "Today, the internet and technology have facilitated regular investor engagement, acting as a true liaison. However, if a company fails to respond to investor concerns, they have the option to take their story public — on websites, social media, or forums. It's very grassroots."

It's not all about crisis management, though — companies stand to benefit from embracing transparent communication programs for a whole host of other reasons. As the Harvard Law School Forum on Corporate Governance notes, direct dialogue between stakeholders and corporate leadership achieves two things: greater trust between the two parties, which helps ease future disputes, as well as empowering leadership to both address concerns before they escalate and control the narrative from the onset.

To put it another way, by using a mobile app, IROs gain the rapt attention of their investors, when a market oversaturated with information entices them to look elsewhere. Given that investors want a strong link to corporate leadership, this is a win-win for everyone involved. However, many corporations have yet to capitalize on these obvious benefits, largely because mobile IR apps have yet to enter the industry's mainstream.

SELLING MOBILE IR APPS WITHIN YOUR ORGANIZATION

Even with all the clear, intuitive advantages of the IR app, corporate leadership is often hesitant to sign off on using one. The Board is often comfortable with the traditional reporting and communications tools they've relied on for decades, and they frankly don't see why they need to pursue additional investments. However, when the undeniable benefits of an app are presented clearly and persuasively, we've seen leadership teams come around time and again — the data we now have on hand is just too convincing to ignore.

For publicly traded companies of all sizes, mobile IR apps offer:

The Preferred Channel: IR Magazine found that shareholders strongly favor app-based communications to other digital channels, namely because it saves huge amounts of time. And another study found that 70% of investors are interested in using an app for the simple reason that it stores all of their investment information in one convenient location.

Easy, Transparent Reporting: Corporate reporting becomes simple, routine, and straightforward. There are too many places online where corporations can publish their financial data, which can make progress tracking confusing for board members and investors alike. While websites are frequently used, they're difficult to access for those who don't already know where to look. Given the fact that 83% of investors rely on their smartphones for daily business operations, a mobile app offers a catch-all reporting solution.

Reliable Outreach: Stakeholders can be contacted directly at any moment, from any location. Push notifications and alerts enable IR professionals not only to own the message but also establish a more connected, direct relationship with investors and other stakeholder groups, ensuring that their key messaging is presented clearly and effectively. Also, users can access apps even when they're offline, which means that momentary service outages don't disrupt communications. These facts alone have led the FEE to predict that mobile applications will have a "significant impact" on corporate reporting in the near future.

Universal Access: Unlike other digital channels, mobile apps can be platform-agnostic. This means that they're downloadable on any type of mobile device, and therefore accessible to virtually every investor.

Engagement Tracking: IR teams can accurately chart investor engagement, gaining data-driven insights into the nature of information that investors find most compelling and has the biggest impact.

Need for Change: In 2015, 70% of investors argued that integrated financial reporting is now essential to operations — a 10% hike from the previous year — and nearly two-thirds expressed the belief that, currently, boards do not adequately disclose non-financial information like governance and environmental issues, which they view as critical to evaluating key assets. As we've already covered ad nauseum, corporate leadership needs to adopt a mobile communication platform for no other reason than to meet their shareholders' raised expectations.

CONCLUSIONS

Clearly, smartphones and mobile apps aren't going anywhere – in fact, they're only going to become more ubiquitous in the next few years. At the same time, investors the world over have clearly demonstrated their appetite for instant and active corporate communication.

Thus, the obvious conclusion here is that traditional IR activities need to keep pace with today's transparent, fast-moving marketplace, which is why forward-thinking IROs are already actively investing in mobile communication channels.

And of all the digital options available, mobile apps have rapidly emerged as the most effective and easily integrable solution. Given these circumstances, we predict that by the end of the decade, Investor Relations apps will not only enter the mainstream, but become a foundational element of global investment best practices.

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