

*i*Relations –
effective online investor relations
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*i*Relations – effective online investor relations

Required reading for investor relations executives, this practical guide is relevant to company finance directors, company secretaries, treasurers, corporate affairs executives and any others involved in the business of raising capital or communicating with institutional and retail shareowners and the financial media.

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foreword

Esther Dyson is on the board of the WPP Group (of which Addison is a member company). She is also the non-executive chairman of wpp.com, the marketing group's interactive services division.

Dyson is chairman of EDventure Holdings, which sponsors two annual conferences: PC (*Platforms for Communication*) Forum and High-Tech Forum in Europe. It also publishes *Release 1.0*, a monthly newsletter widely quoted for its witty commentary and early insight into IT industry trends.

Dyson is the 1999 recipient of the Women in Communications Matrix award.

An opportunity, not a cost

What's striking in this report, *iRelations – effective online investor relations*, is the shift in focus from institutional to retail investors. Not because they have so much more money invested, but because they are becoming so numerous that they can't be handled in the old-fashioned way, in person. Their presence is helping to drive change in online investor relations, forcing corporates to think about how to reach all its audiences equally.

An Internet presence goes some way to achieving this aim and, as the report shows, corporates are beginning to understand that personalisation can help in reaching the small investor and large ones too. But mostly that means assembling information to address a 'profile', using databases and correlations. Personalisation still doesn't mean 'personal'.

Good software can ensure that communications are timely and mostly relevant. But it's all one way. Investors want information, sure. But they want attention even more. They want specific answers to **their** questions, not pointers to some place where there may be information relevant to their query.

Where's the dialogue? Why waste the opportunity to form a unique relationship with an individual? When an investor asks a question, it's a chance to start an interactive relationship – not a chance to save money with an automated response.

Of course, personalisation can give a first impression of being warm and human. Unfortunately, it's not enough. And half-hearted attempts, such as 'Dear Ether Dyno,' are positively damaging.

Communication has to be two-way, and has to have a 'listen' factor, for it to be effective and to draw the parties closer. Telephone call centres have done much to improve customer relations in traditional service industries. Why not e-mail call centres in investor relations? Responses could be rapid; pertinent standard answers could be cut and pasted; and messages could be topped and tailed with more specific information and more personal, relevant touches. In a world of increasing globalisation, queries can even be answered in local languages – probably more easily, and accurately, than on the phone.

For example, the people in the e-mail centres should use their real (first) names. There's no substitute for authenticity. There could be no worse PR in a personalisation programme than to be exposed for shamming the human touch.

Of course, such e-mail 'call centres' are expensive. But compared with what? Compared with saving the bother of dealing with investors? Don't look at it as a cost; look at it as an opportunity.

Now, back to current reality: personalisation and two-way communications with real personality are just the value-added on top of basic infrastructure that must work smoothly. This pragmatic document will also help you with that. The 'Checklist of key questions' and the 'shopping list' at the back will help you build an IR site that really works.

Esther Dyson

introduction

Advances in communication technologies are redefining the practice of investor relations. Until recently considered little more than an adjunct to shareowner communication, the Internet and the corporate website are becoming increasingly central, enabling companies to react fast to events and provide a deeper, better service to analysts, institutional and retail investors.

But what are the strategic, operational, technological and financial implications of using the Internet as a core financial communications channel? What are the drivers – marketplace, technology, regulatory? The benefits, and the pitfalls?

Specifically, how are key audiences, notably analysts, using the Web, and what do they increasingly expect from companies online? And to what extent are companies meeting expectations?

To answer these questions, digital media consultants Conosco undertook research for Addison, the stakeholder communications consultancy, in late 1998 and early 1999.

In **Part 1** of this report, we look at the drivers for change in investor relations, and analyse the implications for IR professionals.

Part 2 outlines results from a survey of the websites of the 180 companies listed on the Dow Jones Industrial Average 30, FT-SE 100 and Dow Jones Euro Stoxx 50. It assesses how they are using the Internet in their financial reporting, what constitutes current best practice and explores the next generation of technologies and tools. This section also includes comments from in-depth interviews with a selection of leading analysts, fund managers and IR professionals.

Part 3 sets out guidelines, checklists and a shopping list of contents and tools to help IR and corporate communications executives develop a comprehensive and effective Internet service.

Charlie Pownall
Director, Conosco Ltd.

London, July 1999

Quentin Anderson
Managing Director, Addison

London, July 1999

executive summary

Analysts, fund managers and IR executives from the following organisations were interviewed:

Aixtron AG, Banco Bilbao Vizcaya, British Airways plc, Credit Suisse First Boston, Dresdner Kleinwort Benson, Deutsche Bank, Goldman Sachs, Mercury Asset Management, Merrill Lynch, Mitsubishi Corporation, Mitsubishi Research Institute, Pearson plc, Royal Bank of Scotland plc, SBC Warburg Dillon Read, Schroder Asset Management, Scottish Investment Trust, Whitbread plc, WPP Group plc

iRelations – effective online investor relations contends that analysts and institutional investors are regularly using the Internet and corporate websites as first port of call and a primary source of financial and company information on listed firms.

It finds that while many listed companies have responded on the whole fast and, in some cases, imaginatively, to the new online environment, the majority seriously underestimates use of their sites by these key audiences.

This report also demonstrates that today's IR websites also do little to address the fast evolving online needs of retail investors, despite the clear opportunity to cut costs, provide a better service and strike a deeper, richer set of relationships.

We argue that the retail investor should not be ignored. With an increasingly global equity culture, and with easy access to news, research, trading mechanisms and networking opportunities of a kind previously restricted to professionals, the retail investor looks destined to creep more firmly onto the IR agenda.

The Internet enables IR professionals to serve these individuals better, to do so more efficiently and more cost-effectively. And regulators are coming to see it as critical to the timely and fair dissemination of corporate financial information.

In short, the Internet is both a threat and an opportunity to companies in terms of their corporate communications. For those that move quickly, proactive and innovative use of the Internet will give valuable early lessons in how to attract, engage and retain stakeholders online, deliver greater access to more capital and ensure competitive advantage.

Companies that have not yet understood this yet will, if they are to satisfy the increasingly vocal and demanding audiences and cope with the surge in use of the Internet for professional and personal investment, need to move beyond the standard 'brochure-ware' offering online and take a more proactive and Internet-centric approach to investor relations. Like the 'portals', companies should strive to make their sites 'sticky', engaging and retaining users and investors.

Already, use of the Internet as an interactive and transactional tool is well advanced amongst leading companies in the US and these capabilities are recognised and being adopted by forward thinking firms in the UK and the rest of Europe.

Indeed, many leading analysts and financial commentators now feel that the corporate website is already a clear reflection of management approach.

For all companies, this is the challenge.

Part 1

the new investor relations paradigm

With the reduced role of the corporate broker and the increasing demands of investors, effective financial reporting is increasingly critical to a company's perceived good performance and governance. Intersecting marketplace and regulatory forces mark the beginnings of an even more radical departure for financial reporting and communication.

1.1 Business trends

The reasons why the practice of IR will have to change have been well covered elsewhere. In brief, they are:

Globalisation

Increased competition for capital

Companies now operate in a global market and must compete for capital with the best in the world. A number of factors have contributed to today's more competitive business environment.

- Institutional investors and fund managers are adopting an ever more global approach to research and investment. US funds, in particular, have embarked on a long-term policy of increasing the international weightings of their equity portfolios; levels of foreign investment will be reinforced by the deregulation of Japan's pension industry.
- In Europe, the liberalisation of capital markets combined with the single currency will widen the scope for investment without currency risk, increasing the amount of institutional funds available for investment abroad.

Globalisation of shareowner base

Increasingly, companies' shareowner registers reflect an ever more international investor base. This has been brought about principally as firms raise capital abroad, especially in the US, as a result of the growth of electronic exchanges such as NASDAQ and the consolidation of exchanges through partnership or merger.

As companies meet the requirements of a more international set of fund managers, the logistics of IR are becoming more complex, notably the printing and delivering of reports, some in two or more languages, the organisation of shareowner meetings and the need to meet differing reporting requirements and disciplines.

Investor expectations

Expectations of greater accountability

Companies are now required to give more information on more aspects of their businesses than ever before.

Earnings-based, market-led measures of performance and viability, notably shareholder value, are becoming widespread. These go hand-in-hand with issues of corporate governance, such as those tackled in the UK's Cadbury, Greenbury and Hampel reports, including greater transparency of financial information, one-share-one-vote structures and greater accountability of management. Across Euroland, these 'Anglo-Saxon' measures are becoming

more commonplace as a single market for investment develops, resulting in companies moving from traditional tax-based accounts to more open, consolidated accounts. Some large European companies are going further, publishing accounts in US GAAP (US Generally Agreed Accounting Practices) or IAS (International Accounting Standards) to ensure international investors are better able to make the sectoral comparisons they require.

In addition, the markets are demanding more forward-looking information on expected future growth, earnings potential and critical success factors. And purely financial measures of success are giving way to other broader measures – such as market share, environmental liabilities, relationships, intellectual capital, customer turnover, brands, even the analysis of advertising and marketing spend.

Overall, such pressures will result in companies having to align internal measures of value more closely with what is made publicly available.

Closer contact between companies and investors

Companies have moved from talking to markets via the sell-side to a more direct relationship with the ultimate target audience – the buy-side.

Contact with the corporate broker and sell-side analysts will continue to play an important part in a company's financial reporting. Nevertheless, investor relations professionals are focusing ever more on the buy-side as the number of investment funds grow, buy-side analysts become more numerous and fund managers look to communicate direct with their investments.

More generally, companies are communicating with more investors, and with a more international and demanding set of investors. With portfolio managers under greater pressure to improve performance in the era of low-cost, average-performance tracker funds, they are demanding ever more frequent and direct access to company directors and managers.

Rise in shareowner and stakeholder activism

Increasingly, institutional investors are openly pressurising companies into taking decisions, sometimes against the wishes of the CEO or other board members. Long the preserve of US investors such as CalPERS, the roles played by Hermes in the ousting of Mirror Group CEO David Montgomery and by Schroders and Legal & General at LucasVarity suggest that fund managers in the UK and the rest of Europe are taking up the baton.

But not only the big shareowners are getting their message across. Small investors, consumers and single-issue pressure groups must now be taken increasingly seriously after a string of high profile successes on social, environmental or ethical issues. Increasingly media-literate, they often operate

in conjunction with shareholder action groups such as: PIRC (Pensions & Investment Research Consultants Ltd.), which pushed Shell into appointing a senior director responsible for environmental affairs, corporate governance consultancies such as Déminor, or proxy voting specialists such as PROXINVEST.

The move to embrace the wider 'stakeholder' dimension is evident in the trend among leading companies from a defensive, crisis-driven approach to one that seeks stakeholder views and actively manages them in an attempt to build trust. The increasing emphasis on Health, Safety and Environment, community relations and business ethics communication are a very visible indicator of this trend. Moves toward the use of 'plain English' in corporate reporting is another.

Technology

Move towards continuous, real-time reporting

According to the ICAEW's *The 21st Century Annual Report**, financial reporting is to become primarily net-based and 'likely to move over time from being periodic to continuous with different segments of information being updated at different intervals, [...] leaving present notions of annual and interim reporting out of date.'

This vision may not be quite as distant as it sounds. Internet technologies such as e-mail already enable companies to deliver news and data quickly and efficiently to the markets, and to structure and customise it according to individual wishes.

But also implicit in this vision are marketplace pressures for companies to move to real-time financial reporting, breaking today's attachment to the reporting of historic data. The increased emphasis on the preliminary announcements of results, where many companies are including balance sheet, supplementary information and narrative on the main figures, may be seen as one indication of this shift.

Technology drives greater transparency

Advances in computer power are making markets more transparent, and companies more accountable to their investors.

First, technology and the Internet are making corporate information much more accessible to external audiences. Investors – large and small – now have access to a huge array of news, financial information, historical data, aggregated commentary and analysis, from an array of competing services. The backing of regulators and exchanges for the mandatory online free disclosure of corporate information, such as the SEC's Electronic Data Gathering, Analysis and Retrieval system (EDGAR) scheme, will make access easier

**The 21st Century Annual Report*
The Institute of Chartered Accountants
in England and Wales,
November 1998

and companies more transparent. So will the use of 'intelligent agents' to which users can assign automatic fact-finding missions online.

Second, the integration of corporate information, especially via relational databases, allows a wide range of investors to make more informed decisions, but also puts far greater power into the hands of the end-user.

Thus, thirdly, the new business and information environment ups the ante on both voluntary and compulsory disclosure and means that companies will have to make extra efforts to present information in a format relevant to the needs of various sets of stakeholders.

Level playing field

Growth in equity culture

The globalisation of markets and trade, governmental privatisation programmes, the flood of money into stocks and shares and the rise of employee investment schemes are all resulting in the widespread growth of a more or less common equity culture.

Typical of this is the rise in the number of retail shareowners, which can be expected to keep growing worldwide. Although this category of investor now owns over 50 per cent of some large listed companies, on the whole their average shareowning percentage looks likely to remain small, compared to those of institutional investors.

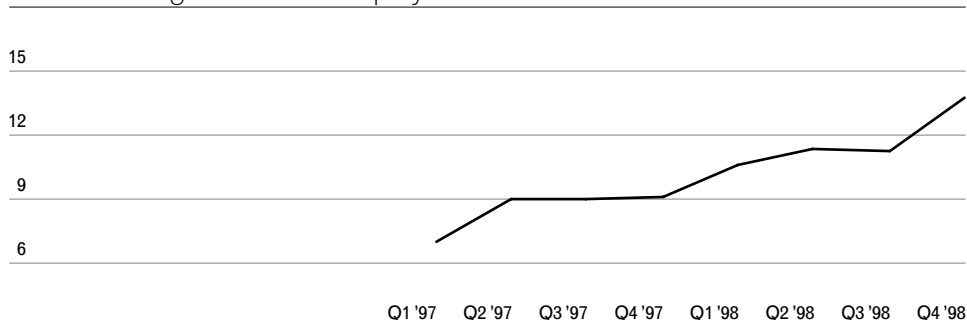
Levelling the investor playing field

The growth in electronic reporting, online financial services and the central role the Internet is playing in their popularisation is starting to level the playing field between the institutional and retail investor.

Small shareowners now have access to the kinds of financial news, corporate press releases, current and historical archived data and investment analysis tools that had been strictly the preserve of professionals. Further, they can tap into corporate Internet-based conference calls and webcasts and discuss issues with fellow investors on third-party bulletin boards, real-time chat facilities, newsgroups or e-mail lists. Better still, many of these items are widely available, for free.

The Net accounts for 14 per cent of all trades

Online trading's share of all equity trades



Source: Credit Suisse First Boston

Of course, they can also trade shares on the Internet. According to Credit Suisse First Boston (CSFB), online trades rose 34 per cent in the fourth quarter of 1998 (see table above); further, during this period, one in seven trades took place over the Internet, according to Bill Burnham, CSFB's Internet analyst. Over the same period, NASDAQ saw a 14 per cent increase in online trading; the exchange forecasts 50 per cent of all its trades to be conducted over the Internet by 2002.

Brokerage commissions to top \$5.3 billion

Online trading forecast

	1998	2002
Commission revenues	\$1.3 billion	\$5.3 billion
Accounts	6.4 million	24.7 million
Individual investors	5.6 million	22.7 million
Per cent of total investors	8%	30%

Source: International Data Corporation

Rise of the active retail investor

The growth in online financial services and share trade facilities has led to the emergence of a 'new investor class' with the ability to 'trade for themselves, online, with no one standing between their fingertips and a financial commitment, much the way the institutions have long traded.' Mary Schapiro, US president National Association of Securities Dealers.

'While the traditional equity investor held a stock for seven years and a US mutual fund investor nine months, the (average) online trader buys and sells every three months.'
National Investor Relations Institute (NIRI).

Using new, low-cost tools to move quickly in and out of stocks, this new kind of shareowner is typically more alert, and more active. Research shows that online investors buy and sell up to four times more frequently than those using telephone brokers. Leading Internet brokerages now account for up to 50 per cent of trading activity on Wall Street on some days. And it is not just the main

exchanges that are benefiting: the popularity of low cost, efficient electronic communications exchanges have forced NASDAQ to extend its trading hours.

Some feel this is having an effect on the markets themselves. It is reckoned that online investors, and in particular 'day-traders', have been partly responsible for increased volatility. Almost certainly true of Internet and technology stocks, it is not clear to what extent their effect may have been felt in other market sectors.

Equally, moves towards personalised pensions and other plans, combined with the Internet, gives private individuals greater freedom to reinvest their own capital within mutual funds, Individual Savings Accounts (ISAs) and similar vehicles. There is only limited evidence of this in the US; nevertheless, experts predict it to become more prevalent as private investors become aware of the potential to take more active control of their investments.

Regulatory

Regulators champion extensive disclosure

Regulators, especially in the US, are encouraging the timely and fair dissemination of corporate financial information that is accessible not just to analysts and fund managers but also to retail investors.

In the US, the SEC has been the prime mover behind the EDGAR Project, which automates the collection, validation, indexing, acceptance and forwarding of statutory submissions by companies and makes these documents freely available through a standard web browser. Recently, it backed live web broadcasts of audio quarterly earnings calls from 100 leading US companies from January 1999 under a pilot programme between NASDAQ and Broadcast.com, a leading webcast technology provider.

Regulators across Europe, and the UK in particular, have started to follow suit. In Britain, leading auditors and industry associations have been arguing for some time that preliminary announcements are untimely and disadvantage the retail shareowners.

In the UK the government is considering proposals to modernise corporate communications regulation by allowing companies to send statutory shareholder documents electronically, with shareholder approval, rather than by print. There are also calls for a single database of all statutory corporate documents per exchange. The prospect of a single bourse is likely to speed this process across Europe.

1.2 Net implications for IR professionals

The Internet is developing into the core communications digital backbone much faster than anticipated, raising new challenges for the communications professional but offering distinct practical advantages – and an opportunity to transform fundamentally the nature of relationships with their shareowners and broader stakeholders.

The key drivers for change – globalisation, technology, shareowner activism and demands for broader performance measures – are challenging the fundamentals of today's financial reporting model. As regulators grope their way towards a redefinition of financial communication, companies will come under increasing pressure to deliver information and data in a detailed, consistent, relevant and, in time, continuous manner.

The Internet, in particular, will be the key enabler in this process. Online reporting is now an important adjunct to corporate communications; sooner or later it will become mandatory – in the process transforming the nature of financial reporting.

'The electronic provision of information will become the standard of the future.'

Paul Myners, Chairman, Gartmore Investment Management.

How well equipped are today's investor relations professionals to address these challenges efficiently and effectively?

Current IR expenditure – net worth?

Given the relative importance of the institutional shareowner to the company's future, IR professionals currently spend disproportionate time and expenditure on the retail shareowner.

At present, it is estimated that approximately 80 per cent of the annual IR budget is dedicated to retail investors, students and other stakeholders and 30 per cent of the average FT-SE 350 company's IR budget is spent on the printing and distribution of financial reports (Marchcom).

Studies (*Online Investor Relations, News Directions, Net Profit 1998*) show Investor Relations professionals feel pressurised by conflicting needs to:

- Communicate with ever greater numbers of institutional shareowners, especially buy-side analysts and fund managers
- Disseminate information to a larger and more geographical spread of shareowners
- Ensure that news is disseminated in a timely, and fair manner
- Answer routine telephone and fax requests.

At the same time, much investor relations expenditure is subject to ongoing and creeping incremental costs, a factor which can be difficult to justify to senior management. Shareowner bases will get larger and more global and

'From an analytical point of view, annual reports often fail to give an objective point of view, are highly selective, too narrowly focused and figures are difficult to manipulate.

The Internet should push companies to break out of this mindset, and become more imaginative. Corporates would do well to learn from governmental organisations, whose sites tend to be open and detailed.'

Noriko Hama, Director,
Mitsubishi Research Institute.

with increasing numbers of fund managers, buy- and sell-side analysts tracking the company and demanding more information, there will be more pressure to open up dialogue via roadshows, presentations, one-on-one meetings and site visits – all resulting in increased expenditure. Thus, IR budgets seem destined to keep rising.

Conventional IR technologies – cost-effective?

Partly as a result of the need to communicate with fund managers and analysts who might not be able to attend events and presentations in person, and due to the increasing costs of IR, many large companies have been running conference calls and videoconferences.

In the US, according to NIRI research* more companies than ever are conducting analysts' conference calls (83 per cent), of which some are open to retail investors (27 per cent), even the media (14 per cent). Nine out of ten of these companies then make tape recordings of these calls available on a toll-free number. In Europe, however, the take-up of these technologies has been significantly slower, according to recent research by *News Direction's, Online Investor Relations*, November 1998.

The bottom line is that most institutional investors prefer to attend key corporate events in person. From the company perspective, the technologies can prove cumbersome and at times expensive; the real goal for investor relations professionals is personal contact with senior management through presentations to the buy- and sell-sides, one-on-one meetings and site visits.

Retail shareowners, however, have no such luxury – the AGM is their only chance to meet management and voice their opinions and, certainly in Europe, they do not have access to analysts' presentations, other than, potentially, through the Internet.

The challenge for investor relations professionals is to find ways of satisfying increasingly information-hungry investors of all sizes while ensuring that the news disseminated to both parties is fair and timely.

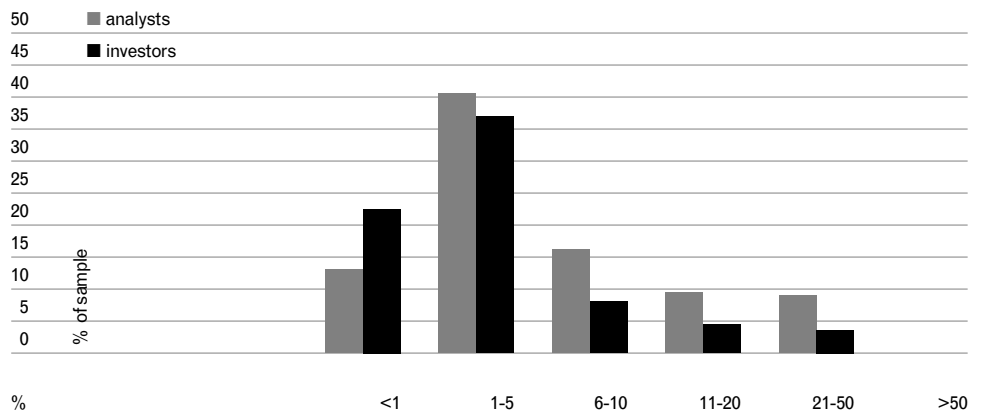
Net usage rises among institutions and investors

It is clear that key IR target audiences – fund managers, sell- and buy-side analysts – as well as retail shareowners and the financial media – now use the Internet to an unprecedented extent, and this can reasonably be expected to keep growing for some time.

**Follow-up Survey on the Growing Use of Communications Technology in the Practice of Investor Relations*, May 1998.

Surveys demonstrate that the great majority of fund managers and analysts have Internet access, use the Web and e-mail consistently and proactively, and have done so for some time. For instance, a Summer 1998 *MORI City Opinion Survey* found 85 per cent of analysts and 60 per cent of institutional investors visit one or more corporate websites in their portfolio once a week, and 35 per cent of analysts and 15 per cent of investors visit six or more a week.

Number of websites visited a week



Source: MORI, City Opinion Survey 1998.

'The Web gives you a freedom that enables you to get an edge over competitors.' UK-based insurance analyst.

Indeed, research for this report suggests that corporate websites are becoming the favoured 'first port of call' for analysts looking for corporate information, especially where the company is outside their portfolio. Only then will analysts resort to textline searches on industry databases, proprietary information services such as Reuters Business Briefing or FT Profile, filings services such as EDGAR or in-house databases.

Fund managers, on the other hand, appear to use the Web less than analysts, concentrating instead on macro issues and portfolio management. Despite this, now only a very few do not have web access and e-mail from their own desktops.

The picture is less clear for retail shareowners, though the fast-growing popularity of personal finance websites and online share dealing suggests that a not-insignificant proportion have Internet access and use it for financial services.

Software accelerates accounting process

Big companies are creating, at ever-greater speeds, integrated computer systems. These greatly simplify the accounting process, enabling companies to adopt a single reporting framework.

'Computing, communications and information content will converge to become inseparable in the new digital economy. The content of a corporate report or dialogue will be inseparable from the computer that displays it and the network that delivers it—all media types, ie. text, video, aural, will have become digital and commonly transmitted, stored, retrieved and manipulated by computer.' Barry Spaul, ICAEW. *Corporate Governance: Corporate Dialogue in the Digital Age.*

'US companies routinely report every quarter; there is no reason why they could not promptly shift to a monthly cycle. British companies usually report every six months; they should move to quarterly reporting immediately, with monthly frequency a realistic target.' Peter Martin, *Financial Times*, 2 March 1999.

This eliminates much of the laborious reconciliation and consolidation that delays corporate results, making it much easier to take a view internally. It also creates the possibility of speeding up external reporting.

Internet develops into central communications backbone

The central role the Internet might play in corporate communications is only now becoming apparent. It is evident in the way corporate information systems and networks are being realigned around Internet technologies, and in the way that these technologies are fast replacing their conventional predecessors.

Intranets and websites are becoming key nodes within the corporate information network, giving access to older 'legacy' information systems and databases while permitting information sharing and project collaboration. Companies are also using intranets to provide employee share ownership information; some even run share dealing platforms.

Long dominated by premium information service providers, notably Reuters and Bloomberg, the Internet allows companies to gain greater control over the publication and distribution of their own information, driving a direct channel to its core audiences. It is notable that these services, long proprietary, are now becoming much more net-compatible, accessible via a web browser.

The power of the new technologies is also apparent in their effect on older tools: the fax is fast being replaced by e-mail, some kinds of telephone calls are giving way to e-mail. The corporate website is becoming first port of call for many lines of enquiry, raising questions about the long-term relevance of print-based formats. Also, a new market has developed for online analyst and analysts' presentations, calling into question the long-term future of conventional IR technologies such as the conference call and videoconference.

The corporate website as cost-effective communications solution

Websites enable companies to cut costs and save time. They offer very low marginal costs and once-only set-up costs.

A website, once set up, can be used to publish repeated figures and texts much more cheaply, and considerably more effectively, than conventional publishing. And if you want to reach more people than just your mailing list, then the marginal costs of reaching them online are negligible.

The benefits of online IR to companies include:

- Near zero marginal cost per user.
- No upper limit on the number of users.
- Slashes print distribution costs via fax, telephone and post.
- Reduces routine 'chore' requests – by referring them to the website.

Web technologies also make it easier and cheaper for companies to broadcast information. E-mail list services are highly cost-effective. Beyond this, analysts' presentations, conference calls and AGMs can all be opened up via the Internet through live or archived audio and video webcasts, Internet conference calls and Powerpoint presentations combined with e-mail and/or telephone.

These are proving popular, especially in the US, as they present an opportunity for companies to reach the same number of investors less expensively, or many more shareowners at much less cost than they could by adding extra lines to conference calls. In the longer term, as webcasting becomes the norm, physical presentations to analysts and investors will become less necessary, delivering significant cost savings.

Provides better service to investors

A company's IR website delivers benefits to users that conventional channels of communication cannot deliver.

- **Access on demand.** The Internet is a 24-hour, 365-day-a-year medium, allowing users to access and retrieve corporate financial and other information whenever they want and wherever they are – at home, in the office or on the move, via a portable or hand-held computer, or mobile phone.
- **Timeliness.** As a live document on the full range of a company's activities, a good corporate website should enable investors to retrieve and receive latest news, announcements or site updates the moment they are published. This means investors can access information more quickly and to greater effect than previously, checking their portfolio valuations and trading accordingly.
- **Single point of reference.** Analysts and others value the corporate website as a comprehensive, one-stop-shop on a company's activities; it is often their first port of call for research. Once bookmarked, it is easy to locate; here they can access press releases, financial data, dividend announcements and product details. Analysts, in particular, value the wide-angle view a good website provides of a company and the approach it takes to its relationships with its stakeholders.

- **Unfiltered information.** Research for this report confirms that analysts and fund managers prefer their information straight from the horse's mouth. To them, the immediate and assured delivery of news and full-text announcements, devoid of inaccuracies, is crucial. Companies, via the Internet, can deliver this. News intermediaries, on the other hand, are considered less trustworthy in this regard.
- **Depth and context.** Investors are able to dig deep into large quantities of information. Surface headlines allow users to drill down to further layers of detail, supplementary notes and reports and across to other parts of the company's site. Thus they can read the company's story in depth and at the level of detail and technicality appropriate to them. They might also find company presentations in Powerpoint, audio or video, aggregated third-party newsfeeds and commentary, pointers to broker research and useful company and industry links.
- **User control.** The Internet enables investors to customise information in line with their own needs. For instance, investors can create their 'own' à la carte corporate reports; personalisation and 'agent' software help them search, filter, categorise, prioritise and even annotate information according to their own criteria. 'Intelligent' agents learn from users' habits to do all the above tasks automatically. Meanwhile customisable e-mail and other 'push' technologies can deliver information and alerts direct to your desktop.
- **Cost-efficient.** From many financial institutions' perspectives, the Internet spells cheap access to news and data. 'If you can come up with anything that is cost-efficient, people will kiss your feet' one analyst enthused to us about the Internet. But this is not the case from the retail shareowners' perspective; rather, it is they who incur charges for access and time spent online.

Builds loyalty among shareowners

Companies are under increasing pressure to demonstrate openness, transparency and responsibility in all activities, and to match the rhetoric with reality. In an environment where information is available from a multiplicity of sources but where the company itself is the most trusted source of news and analysis, the corporate website presents a real opportunity to create a respected, valued channel, and to express its corporate values and brand to greater effect therein.

The Internet frees organisations to gain greater control of the communications process by allowing them to establish a channel direct to the shareowner, bypassing conventional news providers.

'The more companies can establish themselves as trusted parties, the better.' Nigel Barnes, Pharmaceutical analyst, Merrill Lynch.

The Internet also enables companies to strengthen their relationships with investors by moving beyond the provision of information to opening and encouraging dialogue. Features such as customised e-mail allow investors to receive the alerts and information of interest to them. The underlying database permits companies to build a profile as to the relative popularity of information; the same is true of website analysis software.

These, and other more 'interactive' features, including bulletin boards and multimedia applications such as audio and video feeds, provide a cost-effective opportunity to understand what their investors want and to present and customise information as appropriate.

Equally, good IR sites will enable users to drill down selectively into that part of the company's information that is of greatest interest to them, from financial data to corporate governance and environmental issues, reinforcing perceptions of openness and indicating confidence.

Powerful crisis communications tool

The immediacy of the Internet gives companies a powerful new tool to tackle unexpected and rapidly moving high-profile issues.

During a hostile takeover, merger or acquisition, there stands to be a large pool of media, employees, investors and other stakeholders who will suddenly want information on the company – and the impression they are left with could be crucial.

One option is to develop in advance, crisis management bolt-in templates into which, press releases, FAQs etc could be dropped and cross-linked. Another response is through a stand-alone crisis mini-site, complete with bulletin boards or other 'interactive' features to answer questions and draw and dissipate rumour via active intervention. Also, e-mail lists enable companies to send news and rebuttals instantly and directly to selected individuals, or to whole lists, as appropriate. Many companies build e-mail services into their sites for proactive communication of this kind.

In all instances, it pays to expect the unexpected. In a merger, for instance, companies are unlikely to want to let third-party web developers into the secret – thus many large firms are building this capability in-house, with design and technical specifications provided externally.

Organisational and resource issues

Whilst presenting companies with significant short- and longer-term opportunities, the corporate website also raises important organisational, resource and regulatory issues, though these depend in part upon the approach taken and the degree of importance attached to IR as a whole.

Companies must look at their own resources and decide who has responsibility for Internet IR. How, for instance, does it square with existing roles – such as treasury, finance, corporate affairs, IT, communications – and how do the lines of responsibility work? To what degree should management be involved, given that this is a new, sensitive and increasingly important part of the corporate communications mix? Equally, is there a need for internal staff with an Internet remit, and the requisite online editorial skills, or can this be outsourced to knowledgeable and reliable partners?

There is also the question of budget lines. As many are finding, setting up an Internet presence is not cheap, especially now that the onus is on leading companies to move to top quality sites underpinned by a high quality network infrastructure. Originally an IT cost, websites are becoming increasingly a pan-company responsibility, with corporate communications often in the lead. And it can be easy to miss the mark, and not have the built-in flexibility that makes a good site extensible over time. To what extent is your organisation committed to continuous website improvement?

Regulatory issues – from grey to opaque

Companies need to bear in mind the legal implications of online IR. Though not strictly within the scope of this report, they centre on issues of selective disclosure, with companies needing to find the right balance between transparency and disclosure. For instance, does the online dissemination of price-sensitive information, notably via e-mail, constitute notification or disclosure? Should information be made available to both UK, US, EU and Asian investors simultaneously, giving the latter potentially unfair advantage?

Legal issues are destined to remain unclear for some time, and will be complicated by the developments in statutory requirements, accounting standards and corporate governance. In the meantime, leading companies will push forward the boundaries, sensibly but surely, leaving those ruled by legal counsel looking safe, if uninspiring.

Formatting – lack of agreed standards

There is a gathering pace of change in annual reports: many interest groups are calling for a fundamental rethink. It is already clear that much reporting will be conducted online, though almost certainly in parallel to printed versions.

IR websites force companies to break out of the traditional reporting model and deliver a live window on its financial performance and other activities. Rather than forcing all reporting into a few broadly focused brochures, the corporate website will more closely resemble a mosaic of information, regularly updated to reflect the latest releases.

Yet moves towards the standardised online provision of information, especially data, will necessarily be hampered by the lack of consensus as to the appropriate format, something confirmed by interviews for this report. Investors will want to be able to transfer or download data into a spreadsheet direct from a website, but the variety of measures of performance and techniques of analysis employed is huge.

Companies are going to have to feel their way in this area, taking their lead from the market and from recognised peers, until the regulators tackle the issue head-on. From a regulatory perspective, it is conceivable, for instance, that it becomes mandatory for core information to be provided in the printed annual report, with more detailed analysis available online – either on the corporate website, or at Companies House or its equivalent. In the meantime, leading companies will offer data on their websites in an easily accessible and manipulable format – such as spreadsheet files.

Onsite and offsite control of messages

A corporate website provides a wide-angle lens on the whole range of a company's activities, from financial data aimed at investors to information specifically for the media, community, employee, customer and supplier.

Thus, employees can access analysts' presentations outlining overhead reductions and cost cutting; activists can learn more about a company's production strategy. Yet positioning content as 'safe' online can leave analysts cold and with the impression that the information presented is selective.

IR executives will need to understand how different stakeholder audiences use the Internet and what their levels of expectancy are and how best to manage these expectations. To what extent, for example, do retail investors get their information from personal investor sites, coming to the corporate site for more detailed information.

They will need to work closely with their corporate communications colleagues to ensure that the right kind of messages are getting through to the appropriate end-users. For instance, what is the correct balance of information on the company home page? Should there be hyperlinks from environmental information to financial information, or vice versa?

Equally, the IR professional will need to consider the degree to which their company is likely to be discussed elsewhere on the Internet, where this might take place and how it can best be tackled. Could discussions – amongst activists on a newsgroup, or by shareowners and punters on a financial bulletin board – spiral into a full-scale story with an impact on the share price? Will analysts and fund managers start to use third-party sites to research and network?

Part 2

corporate use of the Internet

This section weighs up key issues and components to be considered when creating or upgrading an IR website. It reveals how leading publicly listed companies use the Internet for financial reporting in the US, UK and EU, and what constitutes best practice.

On the basis of in-depth conversations with a limited number of analysts and fund managers, we outline how companies should approach IR online, and recommend how they can effectively match and exceed the requirements of these core audiences.

We conclude that while many companies are responding fast to the new online environment, most underestimate the extent to which key audiences are using corporate websites as a primary research tool. These stakeholders expect a good service. Few believe they are getting it.

2.1 State of IR online

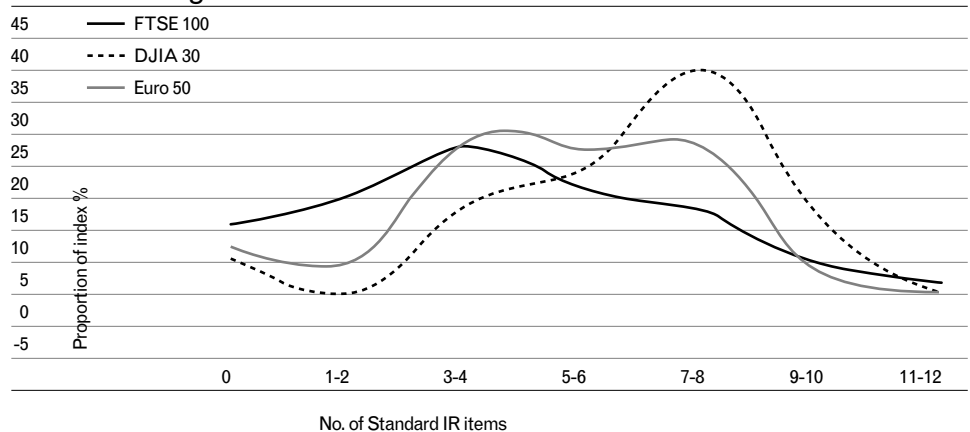
We surveyed corporate websites of the 180 companies listed on the Dow Jones Industrial Average 30, FT-SE 100 and Dow Jones Euro Stoxx 50 for this report. Each site was assessed in terms of the 12 core components we see as important to analysts and investors: share price information; annual report; financial statements and results; news and press releases; industry outlook and data; financial presentations; analysts' and brokers' coverage; corporate information; financial calendar; shareowner information; IR contact details; and languages.

It is clear that companies listed on benchmark indexes regard it as essential to have a corporate web presence; every company, save Philip Morris, has a website of some description. And of the companies covered, over 50 per cent have a distinctive IR 'site' as part of their central corporate site.

The main findings are:

- Leading European and UK companies lag behind their US peers.
- Major European companies provide a more comprehensive, if less ambitious, service than their UK counterparts.
- The most common components of a company's IR presence are the annual report, share price information, financial news, financial calendar, company and management profiles.
- US companies experiment more with multimedia and e-mail delivery services.
- Technology, information technology, telecommunications, media, utilities and pharmaceuticals companies tend to be more advanced in their online IR than companies in other sectors.
- The engineering sector carries the IR online wooden spoon.

IR site offering



2.2 IR online – today's core components

It is apparent that most companies are sticking to a broadly similar offering based around the private investor – a combination of share price information; the annual report; financial calendar; company and management profiles, and financial news – a fact confirmed by other research.

These core elements are fleshed out with other common features, typically IR contact details, shareowner information and financial presentations. Below we set out how companies are using these key components and, by contrast, what analysts and institutional investors expect from companies.

Share price information

Research shows that details of the company share price are often found on the corporate home page, in the IR section, or both.

Most companies buy in a 20-minute delayed share price feed, a service that is cheap and widely available. This kind of service is most useful for private shareowners and employees, despite being widely available on personal finance sites.

The basic share price package may also offer access to historical share price information of varying degrees of complexity and interactivity, and custom-charting tools that enable investors to compare performance against the index and sector average over hours, days, weeks, months and years.

Analysts and institutional investors we spoke to are divided as to the usefulness of share price information. To one analyst, 'share price information is a complete distraction, but you expect it to be there.' For another, the provision of custom-charting tools connotes openness and transparency, helping 'add insight on a company, even if it is incremental and at the margins'.

A top-rated media analyst at a leading American investment bank was more practical: 'any tools that allow me to build quickly a graph are massively valuable . . . we are going to be resource-strapped for the next couple of years and anything that helps us to speed up the analytical process is welcome.'

Online annual report

The great majority of companies supply the annual report in HTML, broken down into its constituent elements on separate but linked pages. Fewer companies (approximately 30 per cent in total) also supply their annual reports in print-friendly pdf format.

From the analysts we spoke to, there exists no consensus as to the most user-friendly format for the presentation of information. As an analyst at Merrill

Lynch commented: 'the most easily accessible way the better', but was unable to say which he preferred!

Some analysts we spoke to like annual reports in pdf format as they can be printed quickly and easily, and can be searched. Companies splitting reports into distinct chunks, each in pdf, were especially commended. Others, however, like to be able to scan a document and be able to read it on-screen, and appreciate the intuitive linking and drill-down capabilities that HTML versions provide.

A number of analysts are also keen to have financial data available in spreadsheet format – so that the numbers can be downloaded for analysis. Others disagree, convinced that rekeying figures into a spreadsheet is good for the sake of accuracy, can be adjusted to fit in with proprietary models and that the process of rekeying reveals much in itself.

For the time being, until a consensus emerges, the best option for IR professionals seems to be to provide both HTML and pdf versions of the annual report, with spreadsheets as an added bonus. The real key is consistency of data and format. As an oil and gas analyst at SBC Warburg Dillon Read notes: 'above all, the data itself and its presentation must be consistent year-on-year.'

Financial calendar

Most IR sites present a financial events calendar; usually, this is lifted direct from the annual report, though it is rarely constantly updated. A few companies, however, have gone beyond this to list dates of analysts' meetings and conference calls, press conferences, financial roadshows and appearances by senior management at industry events.

Typically, such information is available to institutional investors from corporate brokers, industry newsletters and financial information service providers. Nonetheless, the Internet allows companies to supply these details accurately and in more detail direct to the end-users. The most sophisticated sites even add an e-mail alert service that automatically updates subscribers whenever a new event is added or a major event is about to take place.

Corporate information

Though the majority of companies put some information about their business and management on their websites, these tend to be little more than outlines, and rarely link to related information.

Amongst the analysts we spoke to, it was made clear that the more a company elaborates on why it exists, how it approaches its business, where its success comes from and is envisaged to come from, and what it means by and how it measures that success, the better it is perceived. Indeed, analysts see such

'Corporate websites should contain everything it makes publicly available, up to and including what the CEO is reading at night.'

Telecoms analyst,
Dresdner Kleinwort Benson.

insights as a key reason for visiting a corporate website, and they expected them to be presented in some depth.

Company histories, despite being available on many sites, are usually presented in only the most rudimentary form. The real potential value of the Web comes through the ability to provide context. A company history, one analyst suggested, should be a 'living, breathing document of record, constantly updated', linked to data on financial performance and cross-referenced with broader events in business, finance and technology.

Management profiles often present basic biographical details and downloadable images of senior executives, a feature useful for the media, in particular, but rarely link through to further information on the sector for which individuals are responsible. Nor do they give contact details. WPP Group plc, for instance, was singled out for praise by one analyst for giving directors' e-mail addresses.

'Companies' websites should act as a one-stop-shop on the company, delivering everything that you can't get elsewhere.' Oil and gas analyst, SBC Warburg Dillon Read.

Again, analysts and investors complain that business profiles are not sufficiently detailed and few provide intuitive links to further and related information. Whilst most sites give details of core products, services and geographical revenue splits, product information, in particular, is seen as generally weak (though pharmaceutical companies are notable exceptions).

Industry outlook and data

Companies that provide detailed analysis of their industry win plaudits from analysts and investors, though few publish this information online.

German media company ProSieben, for instance, is praised for its monthly publication of industry data; meanwhile, the fact that Centrica provides a monthly industry update of temperature variables and gas spot market prices was also highlighted.

'A key problem with company websites is the degree of corporate steer. The more they can establish themselves as trusted parties, the better.' Pharmaceuticals analyst, Merrill Lynch.

According to analysts, companies that actively comment on their industries often succeed in positioning themselves as recognised and trusted industry experts, enhancing the perception of them as open and transparent.

Such attempts to win investors' approval are not universally welcomed, however. One analyst noted that only outlooks from third parties, such as consultancies, industry bodies and media commentators could ever really be trusted. Similarly, if outlooks are to be published, then it should be done so, regularly – a number of sites were criticised for giving out-of-date analysis or data.

Companies can be useful in other ways; for instance, by linking to or reproducing online their media coverage (often, media companies will allow

companies to republish coverage for free, provided it is accurately sourced and/or hyperlinked), or providing links to useful related sites, sometimes even competitors' sites. These might tie into a central online research resource, with company research, white papers etc.

News and press releases

Most sites we surveyed provide price-sensitive news – a service that analysts and investors regard as integral to any decent corporate web presence. In reality, what information is presented, how it is presented and when it is published differs substantially between corporate websites.

Most firms restrict themselves to publishing statutory core financial statements – year-end results, prelims, quarterlies etc – and other news that might have an effect on the share price, often with a press release linking to the full document. Very few publish stock exchange announcements online – though we expect this to change as pressures increase for full and simultaneous disclosure to all stakeholders.

Neither do many companies archive their press releases and news for much over two years. Many investors we spoke to felt this would be a useful service, especially when they could be searched via a database.

Timing also varies. Many companies are reluctant to publish information until they are satisfied that their regulatory filing has been received, logged and republished by the competent authority. Some companies, however, are publishing news on their sites in more or less real-time, beating even the commercial financial news providers.

One company we spoke to was prepared to pre-empt even the stock exchange by publishing details of a price-sensitive acquisition finalised over a weekend and therefore de facto made public before the markets opened on Monday morning.

Contact details

Though research for this report shows that IR contact details are one of the most frequently found of all IR components online, it is also one which analysts and investors find one of the most difficult and frustrating to find.

Often, it remains buried inside the annual report, for instance. It is even rarer to find contact aggregated details of IR, corporate communications, media executives, finance directors and financial PR consultancies grouped together, let alone of management. And then the information itself is often inadequate – e-mail addresses are useful, but most important is the inclusion of a telephone number – often neglected.

But, as one IR professional told us, good investor relations 'is all about establishing a sense of personal relationship and trust'; corporates should be considering how to facilitate personal contact without overburdening executives with e-mails and calls from smaller shareowners and others.

Shareowner information

The majority of corporate websites deliver a useful amount of basic information for shareowners. Currently, this information is generally located in the context of its current home – the annual report – despite the fact that it is of broad general use and could easily be presented as a stand-alone feature in its own right.

Hence, the financial calendar (see above), dividend payments, repayments, mandates and scrip dividends, tax implications, PEPs and share dealing schemes, American Depositary Receipt (ADR) and share enquiries could all be split out of the AR, as might the analysis of major shareowners, FAQs and glossaries – all of which could be grouped appropriately and updated annually, or more often.

Financial statements and results

Currently, most companies give access to key financial reports – preliminary, interim and annual reports – on their corporate websites. Analysts we spoke to expect this information to be available online; if they are present in both HTML and downloadable pdf format, so much the better.

Many companies with a US listing offer access to their SEC filings, mostly via linking direct to the EDGAR database, sometimes storing them on their own sites. We found that a limited number of companies have gone further, publishing the full range of statutory filings on their websites – including all stock exchange announcements. In this latter category is one UK company, with no ADR.

Some companies are also experimenting with providing the numbers in spreadsheet format (see page 31, under Share price information).

Financial presentations

Increasingly, companies are using the Internet to give access to presentational materials, notably briefings to analysts.

Some leading companies are placing Powerpoint slides online shortly after analysts' presentations (for live presentations see page 38); a number are also publishing speaking notes and transcripts of Q&A sessions. 'Slides give you the big picture, whilst with notes and transcripts you can also dig into the detail,' enthused one analyst. Most analysts and investors we spoke to are also looking for conference call transcripts, and an online archive to store all these materials over time.

Putting presentational materials online is immensely popular with both professionals and retail shareowners: one multinational we spoke to confirmed it was the single most popular element of its corporate website. On the downside, some companies are concerned about the legal and competitive implications vis-à-vis full disclosure.

And there is also the danger of sending the wrong messages to the wrong audiences – cost-cutting is not music to the ears of staff, for instance. Though keen to be able to access information, analysts do not want an edited version. As one prominent media analyst put it: 'if companies start playing those games, they will get trashed fast'.

This raises the prospect of constructing password-protected areas for analysts and institutional investors. Every analyst we spoke to, without exception, believed this a poor idea. One insurance analyst objected to the notion that he might be 'watched'. According to another, 'passwords should not be necessary...companies will have to learn that anything they make public will end up in the hands of their competitors, sooner or later'.

2.3 Next generation IR online

Increasingly, leading companies are offering a more sophisticated and proactive online IR package, giving shareowners a level of service and array of tools that traditionally had been the preserve of the professional investor. These include: custom charting, direct delivery of latest news and data, 'virtual' access to financial events, analysts' and brokers' recommendations.

Over time, these can reasonably be expected to become standard offerings amongst big listed companies on major exchanges.

Analysts' and brokers' coverage

Recommendations from analysts, brokers and credit ratings agencies remains a feature of some leading IR sites but there is little consistency in the offering.

Some firms opt to buy in aggregated research from vendors like *FirstCall* or *Multex*; others republish, in full or in part, a selection of brokers' reports, while ignoring or failing to get copyright permission for others. Yet others prefer to reflect composite market opinion, available from services such as *Zack's*. More often, companies limit themselves to a simple list of analysts' and their employers' names, sometimes with an e-mail and/or telephone number, and better still, the dates of the latest reports.

Despite this, most firms prefer not to go down this route at all, unsure of the legal implications and aware that many analysts don't want retail shareowners contacting them out of the blue. Nevertheless, though clearly a useful service

'The quality of a company's response to the challenges of the Web says a lot about its approach to management. The time may come when investors judge companies as much on their web offerings as on other qualitative factors.' Peter Temple, *Investors Chronicle*, December 1998.

for retail investors, a number of analysts and fund managers we spoke to also felt this would be very valuable; one fund manager felt it would be 'the single most important' thing a corporate site could do.

E-mail manager

Despite the fact that the great majority of analysts and institutional investors now have e-mail, we discovered that under 20 per cent of corporate websites we covered offered direct desktop delivery of financial news. This is in line with May 1998 NIRI research which found that whilst 63 per cent of senior IR officers reported using e-mail to communicate with analysts and investors, only 11 per cent relied on it to 'push' news to these audiences.

'I would be exceedingly happy if I never saw a fax again.'
Telecoms analyst, Dresdner Kleinwort Benson.

Yet, according to our findings, the timely delivery of price-sensitive news and other information, such as newsletters, business wins, product and website updates by e-mail direct to the user's desktop is highly valued by analysts (though, seemingly, less so amongst fund managers). Indeed, as one analyst put it to us, there is a tremendous fear of *not* getting information, but at the same time they do not have the time to continually revisit corporate websites.

Typically, a corporate e-mail service comprises three elements – a web-based registration form via which users can subscribe, an underlying database into which their details (notably, their e-mail address) are stored, and a browser-based interface for cutting, pasting, editing and sending press releases.

For companies, the benefits of such services are manifold: they are cheap to install and highly cost-efficient and effective to run; they also provide a real-time service that delivers information straight from the horse's mouth, building confidence in the company.

Yet, the majority of firms have opted not to offer e-mail services. Some firms we spoke to confirmed the attractions of offering e-mail services but felt that the main beneficiaries would be retail investors – and that there is no clear data showing to what extent they have e-mail access.

They are mistaken. E-mail is the single most popular aspect of the Internet and news and share updates amongst the most popular features online. According to The Pew Research Center's Technology 1998 survey, nearly one-fifth of Internet users subscribe to customised news reports online, and an equal number receive news by e-mail. Our own experience in managing corporate websites confirms the fact that corporate e-mail services are hugely popular.

When asked what level of detail they would like delivered by e-mail, most analysts and investors we spoke to preferred receiving full press releases by e-mail, rather than a summary with links to fuller details on the corporate

website. Even better, individual analysts could choose what kinds of information and level of detail they wanted.

Nevertheless, we also heard complaints regarding attachments (data, spreadsheets) being screened and stripped out by corporate firewalls. Even though such instances appear in decline for the time being, clearly, the more information that can be included in the text of the e-mail, the better.

Another feature, more common amongst US companies, is the e-mail alert. Here, users can sign up for e-mail reminders of important announcements, or even receive automated e-mails informing them when a particular page – say, financial statements, or multimedia presentations – is updated. A number of analysts we talked to confirmed this would be a useful feature, though the majority said they could easily find announcement information elsewhere.

Event broadcasts

Digital broadcasting of financial events is forecast to become a standard of online investor relations. It is already possible to 'stream' live or historical audio, video and Powerpoint presentations, host teleconferences and conduct 'chat' sessions online. And all these are becoming progressively cheaper to host as bandwidth increases and the 'plug-in' software at the user end becomes more standard and widespread.

Analysts' presentations

Internet broadcasting enables companies to reach analysts and investors who are geographically distant or otherwise not able to make the event; the economics of Internet broadcasting also means companies can target large private investors and, potentially, include other 'broader' stakeholders, either simultaneously, or after the event.

Multimedia broadcasts result in substantially higher repeat traffic to websites, according to recent research by US consultancy *CCBN*. Surveying 130 active IR websites across the quarter ending 31 December 1998, those offering multimedia content saw traffic increase 97 per cent whereas traffic on sites with basic text and data only experienced a 14 per cent increase during the same period.

Yet, to be useful, these broadcasts must not be bland PR-driven exercises, according to analysts we spoke to. They must also be user-friendly – easy to hear and see – and offer a facility to ask questions, especially during Question and Answer sessions. One web-experienced Edinburgh-based fund manager questioned the need for analysts' meetings to be physically located at all.

Web broadcasts of analysts' presentations are only likely to keep analysts at their desks, however, if they could not make the meeting in person. Asked

whether they would opt to stay in the office if offered a broadcast of key financial events, most analysts we spoke to felt it was important to attend in person, to get a sense of the atmosphere, listen to other analysts' opinions, meet directors and get a quiet word in the corridor.

Nevertheless, the quality of some products now available suggest that this may well change. Equally, longer term, we can expect to see analysts retrieving footage of presentations on demand from specialist services, delivered via the Internet or Intranets.

Audio or video?

Regarding technology preference, a number of analysts we spoke to preferred audio clips of presentations to video: the latter is insufficiently technologically advanced, can be difficult to view properly and apt to crash when overloaded. To some extent, this is a market already served by desktop business TV services, such as those offered by CNBC, Bloomberg and Reuters.

Audio, on the other hand, 'gives a good sense of what's really happening, especially during Q&A sessions', as one analyst put it. They also demand comparatively little bandwidth, ensuring that they can be streamed alongside Powerpoint slides and text.

Judging by market reaction to audio streaming ('it would save us time, money and effort. . . ' – *Oil and gas analyst, SBC Warburg Dillon Read*) and its take-up in the US, audio broadcasting looks to become the best practice benchmark in the short to medium term.

Conference calls

Recently rated the most important and informative form of technology-aided communication between a listed company and the financial community in a US survey* of US investment professionals, conference calls are increasingly being conducted online.

Often delivered alongside Powerpoint slides, the call itself can be telephone-based, or streamed by audio via the Internet. Charged either to the company by the number of listeners, or to the listeners (usually institutional) themselves for access, it allows companies to host an unlimited number of listeners at a lower cost, whilst permitting a high level of interaction between participants and company executives.

Such net-based conference calls have become increasingly important over the past year in the US, and are beginning to catch on in the UK and Europe.

**Using Technology and the Internet:
Researching Corporate Strategic
and Financial Information, AIMR,
February 1999*

Web chat

Very few companies use the Internet to conduct live 'chat' sessions with their stakeholders. Internet 'chats' are live open-invitation multilateral conversations where stakeholders can put e-mail questions or fill out a web-based form direct to the CEO or a member of the senior management, who types the response on screen for all participants to see. A transcript of the conversation is generally published on the website after the event for all to see.

Despite the benefits these can bring – notably a greater sense of involvement amongst retail shareowners – they are little used as an investor relations tool, though they have demonstrated their effectiveness as something of a novelty PR tool.

Transactions

Internet technologies allow companies to move beyond the usual parameters of shareowner communication to offer proxy voting and conduct share transactions online.

Proxy voting

In the US, investors are given the option of voting online, provided that they are told that they are likely to incur their own costs and that they do not have to use the service again. Allowed by the SEC in the US, it seems likely that it will not be too long before it becomes an option that is tolerated, maybe even tacitly encouraged, by authorities across Europe and elsewhere.

Such a service is most beneficial to companies in terms of cost savings, especially the postage and processing of voting forms, which can be stored on the corporate website. And the current charges – usually on a cost per vote processed basis – are likely to come down as the technologies become more commonplace. However, whether it will result in investors – especially retail shareowners – becoming any more active is not yet clear.

Company as broker

The Internet enables the company to act as virtual broker, allowing investors to trade in its shares direct from its website. Once the initial costs have been absorbed alternatively, the company might want to strike a deal with a recognised online brokerage, the benefits are clear: no broker fees and far fewer administrative costs. This is true both of external audiences and employees, who can actively partake in corporate share ownership schemes on their Intranets. Investors can also reinvest dividends direct via the Web.

Personalisation

While e-mail, webcasting and other 'interactive' devices and transaction facilities enable companies to provide a better and in many cases more cost-

effective service to financial stakeholders, software is also available that can automate each user's interaction and relationship with the company online.

Once users have registered their specific interests, they can be presented with information relevant only to themselves. Automated e-mails will keep them informed of latest updates. A retail investor's proxy votes can be handled, checked and tracked.

Already a standard component of leading e-commerce sites, it seems unlikely to be long before personalisation software transfers to corporate communications and investor relations online.

Part 3

developing your web presence

This section is intended as a starting point for those setting out to create, or upgrade, an IR Internet presence. It offers broad guidelines and lists the questions you will need to answer to develop an effective site. It ends with a shopping list of potential contents – elements any respectable IR site needs a good excuse to be without.

3.1 A strategic approach

Setting up an IR site is a resource-hungry business. It eats management time and can have a significant up-front cost. There are many aspects of an Internet project which need input from, and the approval of, a wide variety of people, many of whom will have different and conflicting priorities.

As a result it is crucial to get the 'buy-in' of all parties early on, since backtracking usually means throwing away earlier work. Major changes to IR sites often cannot reuse past work and failed experiments can be unsalvageable. Subjective areas such as graphic design are particularly prone to delaying projects.

So be sure to allow plenty of senior **management time**. The issues often need high-level involvement: the complexities mean that even the most carefully planned project will turn up unexpected problems; and Internet projects have a tendency to transform business processes, with far-reaching implications for the internal organisation of a company.

Far-sighted companies have set up internal editorial and technical **steering committees** to decide Internet strategy. At the very least, online IR requires shareholders' services, media relations, human resources, PR and other departments to work closely together and take a broader view of stakeholder communications.

Outsourcing is another option – most companies devise strategy with their Internet partners, outsourcing its implementation. Some go so far as to hand out ongoing editorial and online financial event management, others integrate sophisticated Content Management Systems to effectively internalise the editing, sharing, previewing and uploading of information and data to the Internet, though this latter option needs to be approached on a long-term, probably pan-company basis.

There are also many **technological issues** to get to grips with. To what extent are new technologies future-proof? Some may turn out to be unproven, unreliable and in some cases, incompatible with existing systems. From the user perspective, plug-ins can be difficult to install, frustrating to use and deliver little practical benefit.

There are complex **communications questions** to resolve. If you wish to appear open it will be difficult for you to segregate which information is seen by which audience or individual. News of a payroll cut might delight shareholders but alarm employees. So you'll need to think hard about the impact of every potential message or piece of information on all of your stakeholders.

Finally there are various **legal considerations** concerning jurisdiction, statutory requirements, disclosure and copyright. It is important to decide early on whether or not to involve lawyers, especially US ones. Not involving them may be a genuine option, not least as many of the legal issues are so uncertain and untested that a site which gets approval from corporate counsel is likely to be a mess of disclaimers and bland information.

Many Internet projects assume a **phased approach** – built up piece by piece as budgets and management time allow. Ensuring that the early stages are still usable in later incarnations of the site depends on careful planning at the outset. This will add to the up-front investment but should avoid the patchwork effect of many large sites.

Thus, it is vital to take a strategic approach, establish clear objectives, take good advice, be aware of best practice and to be very clear about what you are trying to achieve at each stage.

3.2 Level of ambition

‘The sloppiness of a corporate web page reflects a company that is out of touch and that does not want to reach out and communicate with its stakeholders.’ Glen Peters, *Waltzing with the Raptors, A Practical Roadmap to Protecting Your Company’s Reputation*, Wiley, 1999.

There is a minimum entry cost for a basic IR site that may deter some smaller players. But once you have exceeded this, the playing field levels out. Indeed a small player with a carefully thought-out site can outclass a big player with a much larger budget. As the old adage goes: no one knows you’re a dog on the net, and a small, obscure company can impress potential investors with an intelligent approach to online IR and so punch above its weight. Conversely, a large corporate can reinforce perceptions of having been left behind with an under par site.

With opinion formers of all kinds using the Web, your company must raise its Internet communications to the standard of your best other communications. You also have to treat the Internet as the medium it is – continuous, editorially-driven, relationship-oriented – and weigh this up against your resource and technology abilities.

There are many options open to a company planning its IR site – from having nothing except some contact details, to having a personalised one-to-one communications system. There is no universal ideal. For every organisation there will be various approaches that deliver suitable presence for a given set of objectives and budget.

But before you decide what kind of presence to have and how much of it to create internally, it is worth considering a few ‘what ifs?’ at senior level. The Internet’s immediacy offers new solutions when corporates need to react to rapidly changing events, such as mergers and acquisitions or unexpected management reshuffles.

If you already have an effective channel for dialogue with investors, the press and other stakeholders (it need only be an e-mail newsletter) you will be in a much better position to respond rapidly, sending messages direct to desktops.

When a company merges with, or acquires another business, there will be many employees, investors and other stakeholders from the other side who will suddenly want information on your company. The impression they get could be crucial. There will almost certainly be no time to do more than set up a merger area for the site. The main brunt of the scrutiny will be borne by your existing site – a good argument for showing your best face at all times.

Being ready for such rapid responses requires processes and preparation. In a merger, for instance, you are unlikely to want to let third-party web developers into the secret, so you need to have the internal capability to create a merger presence on your site that can go live with the announcement. This in turn means that you must have the necessary templates – the design and technical specifications of the site – and be able to use them. It was such preparation that enabled BP to share so much of its Amoco merger information as soon as the deal was announced.

3.3 Return on Investment

As we have said, there exists a basic minimum entry cost for an IR site. Planned well and properly executed, this should act as a good, scaleable framework for future development.

Once set up, you should work closely with your IT department or web agency to track use of the site by all stakeholders. E-mail registration will allow you to build a better picture as to precisely whom is using the site. And qualitative comment, orders for documentation and assistance can also be gathered via feedback forms and online questionnaires.

It may be useful to map your websites' quantitative performance in generating leads to investment, and qualitative effect in terms of perception management. To what extent is it reducing 'chore' telephone calls and other requests? What cost savings in terms of designing, printing and distributing reports, press releases and other paperwork?

The bottom line is that investment now in your online IR presence gives your company a practical and competitive head start in today's fast-changing, technology-driven business landscape. As a clear reflection of management approach, it can underpin and motivate investors' and potential investors' perceptions of your firm.

3.4 Checklist of key questions

Here are some of the questions it is worth considering when putting together a brief for a new or improved online presence:

Overall

- How will you define and measure the success of your IR site?
- What are the budgets for the site, in terms of both external and internal resources?
- Will you need legal (notably US) counsel's approval for your site? If so, bring them into the planning process at the start.

Audiences

- Which primary user-groups are you addressing? What do they want from your IR site?
- Which other sites will they be using to get information about you? Is it worth aligning yourselves with them?
- How do you currently reach your stakeholders? Will this continue in parallel? How can you cross-promote your services?
- Are there crossovers between user-groups, such as employee-shareholders? Would it create contradictions or conflicts if you tried to send different messages to different audiences?
- What levels of expertise do you expect from users? How will you cater for widely varying levels? Which are the appropriate technologies per audience?

Competitors and models

- How do your competitors' IR sites work? How do they fit in with their broader web communications?
- What are the 'hygiene factors' or must-haves for your sector and peer group?
- How do your audiences rate them?
- Are there any models inside or outside your industry you could emulate?
- What would you like to do differently compared to your peers?

Technology

- Are you working within an overall IT policy or framework? Will these systems need to be compatible with other IT systems?
- What are the technological requirements and limitations of your internal and external audiences?
- Are your web servers able to host live webcasting for large numbers of users simultaneously?

Company structure

- Do you need to collaborate with IR or other colleagues elsewhere in the world? How will you dovetail your operations?

- Is there an international decision-making mechanism in place for responding to PR crises and opportunities? How does it relate to your online activities?
- Will you need links to the sites of other companies within your group? How are these to be co-ordinated?
- Who will answer questions from the different audiences you expect to reach?

Corporate branding and communication

- Which other departments are reaching your audiences – perhaps in other guises as potential customers, employees or members of the local community?
- How will the online communications of different departments work together in terms of access, design and content? What links need to be put in place?
- How will the IR site fit into the structure and design of the overall company site? Is it a separate or integrated part? If you subscribe to stakeholder concepts an integrated approach may be better.
- What sort of site best suits your industry and what impression would you like it to create? Eg. if you are an innovative, high tech or high service company will you need a site that reflects those qualities?
- Can you estimate your present and future needs so that your eventual information demands do not overstretch the existing navigation system?
- To stand out from the crowd, do you have an overarching concept, a ‘big idea’ to hold your IR site together and win investors’ attention.

Navigation

- How will you ensure that investors can easily find the IR section of your corporate site?
- How will your chosen audiences look for information – consider their needs, skills, knowledge, urgency, etc?
- How do you plan to organise the information within it so that busy users do not waste time searching for key facts and figures? They will want to search by date, subject, product or source and perhaps to follow a browsing path. All forms of navigation will need to be catered for, perhaps at different levels of expertise.

The IR department

- Will the site be created, developed and maintained internally? If not, which aspects will you farm out? Management? Design? Programming? Copywriting? Monitoring and responding to online mentions of your company? And which skills will you develop internally?
- Do you have mechanisms for collaborating with other indirectly involved staff elsewhere in the company? The finance function? Marketing? PR? Line managers who may be generating news? The legal department?
- Who will be responsible for any legal implications of what goes out on your site?

Measurement and evaluation

- How do you want to monitor the effectiveness of your site? It is fairly easy to get quantitative measures of who is using it and when. Do you also want qualitative feedback, or to pilot new online initiatives?
- What are the current industry performance benchmarks? To what extent can we expect current stakeholders and shareowners to use our online services?
- What are the best techniques for stimulating feedback and easing qualitative analysis?

3.5 Shopping list

Below are our suggested contents for a comprehensive IR site. It is not complete, nor are the items and groupings appropriate for every company – but we believe you should have a good reason to strike things off it.

About the company

– Company profile

- purpose and values
- success model and key 'stakeholder relationships'
- corporate governance

– Company history

- timeline
- key events
- business and technological context

– Business profile

- products and services
- geographical spread

– Management profiles

- board
- senior line and territorial executives
- CVs, photos

Performance reporting

– Financial and other reports (commentary)

- HTML, word, pdf versions
- e-mail alert service

– Financial accounts

- HTML, pdf, spreadsheet versions
- annual
- quarterly/half-yearly
- summary
- five year summary
- e-mail alert service
- e-mail delivery

– Analysts and brokers

- list of analysts and contact information
- list of brokers and contact information
- list of brokers' reports, with summaries, earnings estimates and release dates consensus forecasts, from commercial service

– Monthly analyst updates

- industry and company data
- linked to industry outlook

– CEO quarterly commentary

- html, pdf versions
- e-mail alert service

– SEC filings

- link to filings on EDGAR or equivalent
- commercial reformatted filings service
- in-house reformatted filings, with table of contents

– Live presentations

- slides with audio streaming
- audio/video webcast

– Presentations archive

- html, pdf
- slides and notes, audio, video

News and other live information

– Press releases and announcements

- archive
- e-mail alert service
- e-mail delivery

– Share information

- latest prices
- custom graphing, with indices
- dividend information
- list of major shareholders

– Diary dates

- conference calls
- financial presentations
- roadshows
- industry events
- press conferences
- results
- announcements
- e-mail alert service

Industry information

– Relevant links

- industry organisations
- relevant resources on the Internet
- industry media

– Research centre

- research and white papers
- industry reports
- industry outlook – commentary and statistics

Assistance

– Site guide and help

– Contact info

- e-mail, phone, fax, address
- key directors**
- IR executives**
- media relations/corporate communications executives**
- financial PR agency**
- feedback form/address for e-mail inquiries to the company

– Share ownership resources

- registrar
- proxy services
- share dealing services
- forms
- tax details

– Glossaries

- linked cross-references

– FAQs

- categorised by institutional and retail investor

glossary

Alpha – an early test version of software or a site; not expected to work properly.

Applet – a small program usually written in Java that is run from within a browser.

AVI – a standard format for video on Microsoft Windows machines.

Bandwidth – the capacity of an electronic network to transfer data over a particular connection at a particular time, based on the weakest connection.

Beta – a late test version of software or a site, after the alpha version. Later betas are often released to the public for final comment and testing.

Bookmark – a web address that is saved by a program so that you can jump there instantly. Labelled 'Favourites' on Microsoft's Internet Explorer browser.

Browser – a software programme that retrieves HTML pages and lets you view them as recognisable and colourful web pages; market leaders are Netscape's Navigator/Communicator or Microsoft's Internet Explorer.

CD ROM – compact disc with data on it which is read by a computer; can hold extensive multi-media including web pages, graphics, audio, video, animations. Useful for information that requires higher bandwidth than a user's Internet connection can easily supply.

CGI – or 'Common Gateway Interface': an Internet protocol that allows server-side scripting on web servers.

Chat sites – websites that allow users to type messages to each other in real-time so that everyone sees a user's message as soon as it is sent. Often divided into 'rooms' based on specific themes. Distinguished from 'discussion forums', which are not real-time.

Client (computer) – the recipient of services on a network or Internet, 'clients' are the computers that run software, including browsers, that enables them to request information such as e-mail and documents from the servers.

Colour depth – the number of different colours that a computer's screen can display. Sometimes referred to as 'bits', such that 8bit colour depth means $2^8=256$ colours.

Cookie—a small and common hidden file stored on a user's computer by a website and which carries a small amount of information, usually to allow that site to identify the computer on subsequent visits. Cookies enable sites to 'remember' your name, habits, etc.

Cross-platform—something that works on more than one operating system.

Data mining—detailed analysis of large amounts of data to derive useful patterns and connections. For instance, used to establish buying habits for setting marketing strategies.

dHTML—or 'Dynamic HTML': any technology that adds an interactive element to an HTML page, after it has been downloaded from the server.

Dial-up connection—a temporary connection to a network or Internet using a modem and phone line, rather than a permanent dedicated line.

Domain—a part of the Internet address hierarchy, which reads from the right: .com and .uk are examples of 'top-level domains'; .co.uk and irelations.com are second-level domains; irelations.co.uk is a third-level domain.

EDGAR—electronic data gathering, analysis and retrieval system.

Encryption—making a file or message readable by only authorised recipients.

E-mail—electronic message sent to named recipient(s) using the Internet.

E-mail address—the ID of an e-mail recipient; a single e-mail address can also represent a group of recipients (e.g. info@conosco.com). E-mail addresses consist of a domain, prefixed by the recipient's ID within that domain and the @ symbol. They are distinguished from web addresses by containing the @ symbol.

Extranet—a private area of the Internet, access to which usually requires a password. Generally used by companies for business-to-business websites and for privileged clients.

Firewall—a device that monitors Internet traffic into a company's computers and filters out anything considered a security risk.

Frames—today's web browsers allow site builders to divide the browser window into two or more sections called frames. This division-of-labour feature can improve and simplify site navigation by dedicating one frame to links that lead to other areas of the site. Some older browsers, however, do not recognise frames.

FTP – or 'File-Transfer Protocol': is the preferred method for transferring files between computers.

Gateway – a program or computer that regulates communication between two networks, the Internet and a local network or any two network media.

GIF – or 'Graphics Interchange Format': a graphics format which compresses images without losing any information, readable by most browsers and the usual format on the Web. Works best with images containing solid blocks of colour, and can be animated. Cf. JPEG.

Gopher – an index of documents on the Internet.

Hit – a unit of Internet traffic measurement, a 'hit' represents an occurrence of someone going to a web page.

Host computer – the computer on which an application runs, sometimes different from the computer the user is operating, which is called the client computer. On the Internet, the host is usually known as the server.

HTML – or 'HyperText Mark-up Language': is a standard language used to create web pages. Good for structured documents and weaker on precise graphical display, it is the 'open' standard that underpins the universal accessibility of web pages.

HTTP – a protocol for transferring documents with hypertext (web pages).

Hypertext – a document that contains links (embedded addresses) to other documents, or other parts of the same document, or other websites.

Icon – a small graphic image on a computer screen, for instance on a web page, which represents the information that clicking on it will take you to.

Intelligent agents – an 'intelligent' program that gathers information or performs some other service without the user's immediate presence. Typically an agent program, using parameters you have provided, searches all or some part of the Internet, gathers information you are interested in, and presents it to you on a daily or other periodic basis.

Interactive – a website or page that responds to a user's actions; usually refers to responses which are more than simply moving to another page, eg. a financial charting page that allows a user to change the timescale axis.

Internet – a system of connections between computers, creating a network. Commonly refers to 'the Internet', which connects computers across the world. Data is exchanged using protocols such as HTTP (web pages) and ftp (files).

Internet telephony – sending voice conversations via the Internet rather than over traditional telephone lines. Requires similar software on the sending and receiving computers, some of which can be downloaded for free online.

Internet 2 – a very fast and powerful private data network under construction in the US to ensure that data flows cannot be delayed by Internet congestion.

Intranet – an in-house Internet network, usually restricted to an organisation's employees.

IP address – a number in the format 000.000.000.000 which refers to a single computer attached to the Internet. Most IP numbers have a textual equivalent, such as server1.irelations.com.

ISDN – a fast digital connection provided by a telecoms or communications company that uses fibre optics.

ISP – or 'Internet Service Provider': the company that provides you with access to the Internet. Increasingly, ISP's are providing a free service for marketers to build relationships with consumers online.

Java – a programming language devised by Sun Microsystems which attempts to run on any platform. A Java programme should (in theory) be able to run on any computer that has been enabled to run Java. Most browsers come with an application that enables Java. Firewalls sometimes stop Java from passing through.

JavaScript – a programme code developed by Netscape and used in some web pages for the more dynamic and interactive functions, occasionally removed from pages by firewalls.

JPEG – a graphic format used for compressing photographic images down to a reasonable size. Readable by most browsers. Cf. GIF.

Link – a connection between one hypertext page and another, usually in the form of underlined text or button images.

Linux – an operating system, similar to UNIX but more recent. Not proprietary.

Look and feel – the design of a website's (or computer application's) interface with the user, including such aspects as typeface, colour scheme, page layout. The look and feel can define whether a site appears modern, traditional, weird, trustworthy, sombre, etc to a particular audience.

Mailing list – a list of e-mail addresses which are sent the same messages simultaneously. Can be a 'discussion' list, so that a message sent to the list address gets sent back out to everyone on the list, or a 'broadcast' list, where only the list controller can send messages to the list. 'Moderated' discussion lists use a human moderator to filter, edit and approve messages before they get resent to the list.

Modem – a device attached to (or in) a computer that lets it transmit digital data over an ordinary, analogue, phone line. Much slower than direct digital connections.

MPEG – a standard for high quality multimedia on Microsoft Windows.

Net – common abbreviation for 'Internet'.

Netiquette – the online set of dos and don'ts for communication in e-mail, newsgroups, chat rooms.

Network – a connection of two or more computers, such as the LANs (local area networks) connecting the computers in an office, or the Internet itself.

Newsgroup – a public discussion area on Usenet, focused on a particular topic, eg. misc.invest.stocks. Within a newsgroup, messages (which are more or less e-mails) are grouped in conversations (known as threads) stemming from an initial message.

Open Standard – an agreed definition for data or its manipulation which is freely available for anyone to use, eg. HTML. Standards that are owned by corporations – who usually exploit such ownership for profit – are 'proprietary standards'.

Operating system (OS) – the fundamental software which runs a computer, such as Microsoft Windows, Apple MacOS, Linux, Unix. Applications run on top of an OS, using its facilities.

Palette – the range of colours available for display on a computer screen. Depends on the hardware and software in use. The 'web safe palette' is a palette of 216 colours which are available on most Windows and Apple MacOS systems and which can generally be relied on to display faithfully.

Pdf – or ‘Portable Document Format’: a file format developed by Adobe that captures all elements of a printed document as an electronic image that can be viewed, navigated, printed or forwarded. Pdf files are especially useful for documents such as annual reports, product brochures, or flyers in which you want to preserve the original graphic appearance online.

Pixels – the dots of light that make up an image (text or graphic) on a computer screen. Pixellation refers to a graphic image whose pixels are uncomfortably visible.

Plug-in – additions to a software programme that are installed at a later date (and often downloaded for free on the Internet) that allow greater functionality, including multimedia.

Portal – a website that acts as an all-purpose entry for users by providing indexing, search, news, e-commerce shopping and other services. Financial services are core features of leading portals, such as Yahoo!

Proprietary Standard – as opposed to Open Standard.

Push – a much-hyped approach to information flows, which involves information being automatically sent directly to the user, according to a ‘standing order’ made by the user. E-mail can be used for ‘push’. Its opposite is ‘pull’, which involves recipients requesting specific pages or files – such as when browsing the Web.

RealPlayer – the foremost proprietary plug-in/application for playing ‘streamed’ audio, video and animation received from the Web.

Scan, scanner, scanning – a scanner is a device attached to a computer, which converts a flat physical image into a digital computer file. Typically used for artwork, drawings, logos, photos. Also used for converting printed text into a computer text file through character recognition software.

Screen resolution – the number of pixels horizontally v vertically on a screen. More modern systems tend to have greater resolution.

Server – a computer which serves up files, pages, images, etc. on request to another computer. Web servers hold websites as a series of files (and sometimes accompanying programs) which are sent to users’ browsers over the Internet.

Shockwave – a plug-in such as ‘RealPlayer’ that allows multimedia functions to be accessed from a web page as the data is downloading.

Spam – Net-speak for unsolicited junk e-mail, often from non-functioning return e-mail addresses.

Streaming – a method of sending audio, video and animation files over the Internet to users' computers by sending the data only as it is needed for playback (ie. just-in-time delivery). Enables live broadcasts and lets users with low bandwidth Internet connections see files that would otherwise be very slow to download. The quality is variable and generally low relative to television and radio.

TCP/IP – the main protocol of the Internet, used by all Internet communication.

UNIX – an operating system known for reliability, robustness in overload conditions and efficiency, though not for ease of use. It comes in several dozen proprietary versions.

Usenet – the network that transports most newsgroup messages, reachable via the Internet with a browser or dedicated newsreader. It predates the Web, is widely used for many purposes and is often uncontrolled.

URL – or 'Universal Resource Locator' – a web address such as <http://yahoo.com>. Distinguished from e-mail addresses by not having the @ symbol. The 'http://' tells the browser to use the 'hypertext transfer protocol', ie. that it will be receiving a web page, and is usually assumed by browsers if it is not present. Thus web addresses can be correctly shown as both <http://www.irelations.com> and www.irelations.com. Further, the 'www.' usually starts a URL, but is merely a custom to emphasise that the URL is for worldwide web pages and is not used by some websites.

Web – the WorldWideWeb (www) – the range of graphical pages and information available on the Internet.

Webcast – a term used to describe the ability to use the Web to deliver live or delayed versions of audio or video broadcasts. Viewing webcasts requires having an appropriate 'plug-in' or viewing application, such as RealVideo, and is generally requested by the viewer. Webcasts can also be delivered by 'push' technologies in a prearranged updating of news etc.

XML – still in its infancy and created to replace HTML, XML gives users greater flexibility when creating web pages. Links, for instance, are bi-directional and can point to and load numerous pages simultaneously.

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