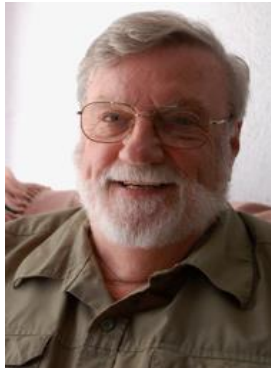


Social Media: The New Reporting Frontier

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In recent years, corporate financial reporting rendered electronically has extended far beyond corporate websites to include social media, including Facebook, Twitter, YouTube, SlideShare, StockTwits

and LinkedIn. There are several others in popular use, but these particular sites have entered the mainstream in business.

But companies are also using the same social media for promotional purposes well beyond the realm of corporate financial reporting and, sometimes, it is difficult to distinguish between these uses – whether a particular disclosure item is a part of the formal financial reports or simply marketing.

Some companies have their own Facebook page for their financial reporting and marketing purposes. Use of Twitter is also common, especially for such short items as earnings and dividend announcements and other news events. YouTube is often used to show videos of company gatherings, including investor meetings and executive presentations. LinkedIn, since it is populated heavily by professionals, is used for a variety of financial reports. Several companies use blogs, although blogs devoted to investor relations (IR) are much less common than those used for marketing.

LinkedIn is by far the most popular social network among investor relations professionals, with almost 80% of social-media-engaged respondents using it.

A 2009 in-depth survey looking at how the public in general used social media¹ produced the following key findings:

- 49% of consumers/users use social media at least once a day;
- 31% agree that social media are more credible than advertising;
- 61% are researching products to purchase;
- 36% depend on social media to help them with purchase decisions;
- 40% are “talking” to or learning from specific organizations;
- 25% feel better about an organization engaged in social media.

Although the survey is a bit dated now, it shows relationships that existed at that time and likely extend to the present. For example, a 2018 survey showed that 30% of investors are comfortable making investment decisions using social media.²

In September 2009, *IR Alert* conducted a survey of 270 IR professionals to establish a benchmark of social media usage by IROs and CFOs.³ Results of that survey indicate that about 60% of industry professionals use social media in some way, especially those who work at smaller firms. Only 12% of IRO and CFO respondents indicated that they use social media to disseminate financial information to shareholders and the market. Of the various social networks, investor relations professionals most commonly use Twitter to communicate their messages.

Other highlights of this survey include:

- Although conference calls and news releases remain the most commonly used methods of communicating investor relations information to shareholders and the market, about 6.3% of respondents now use a corporate blog to communicate financial information, while 13.6% of companies with annual sales of less than \$50,000,000 use one.
- Most public companies do not use any form of social media for communicating financial information. In fact, only 12.5% of respondents said they use social media to communicate with shareholders and the market.
- Twitter is the most-used social network for this purpose, used by about 79% of social-media-engaged respondents.
- LinkedIn is by far the most popular social network among investor relations professionals, with almost 80% of social-media-engaged respondents using it at least once a month.

In August 2009, [Q4 Web Systems](#), experts in electronic corporate reporting, issued a research report analyzing 80 public companies and their use of Twitter during the second-quarter 2009 earnings season. The research shows that the number of public companies with Twitter accounts grew by 270, or 338%. Of these, the number using Twitter for investor relations increased by 77, or 175%. Although still small in terms of the potential universe, the research indicates that social networks can be an effective medium with which to reach out and interact with stakeholders.⁴

What is Usually Posted on Twitter as Far as IR Is Concerned?⁵

According to the research report:

- 53% provided a link to their earnings release only.
- 18% provided a link to their notice of call and earnings release only.
- 8% provided a link to their notice of call, earnings release and webcast.



- 7% provided a link to their earnings release and webcast only.

In 2013, Q4 Inc. surveyed 890 companies⁶ to see what social media they used. They found that of the 890 companies in their sample:

- 72% use Twitter for investor-related material (up 9% from their 2012 study).
- 45% use Facebook for investor-related material (up 5%).
- 52% use SlideShare for investor-related material (up 8%).
- 42% use YouTube for investor-related material (up 13%).
- 32% use their corporate blog for investor-related material (up 14%).
- 66% of companies are listed on StockTwits.
- 82% of companies have their social media links on their corporate website (up 17%).

“In the FTSE 100, 72 companies shared their financial results on Twitter during 2017, up from 69 in 2016. Exactly half (50) shared their results through LinkedIn, up from 42 the year before, and 23 companies created results-oriented videos for YouTube, up from 18.”⁷

In 2018, for 2017, “FTI Consulting’s Index — its fifth annual edition — shows a startling 105 percent increase over the previous year in interactions with results-related content from FTSE 100 companies posted through Twitter, LinkedIn, YouTube and SlideShare.”⁸

Since the SEC opened the way to formal notices being sent out by social media, many companies have been exploring ways to use these vehicles.

The statistics show that LinkedIn has seen a dramatic increase in usage for investor relations purposes in recent years. Other statistics also show that 85% of investors check into LinkedIn at least monthly. Probably it’s a lot more frequent than that.⁹

These statistics are quite impressive, both for the extent of usage of social media for IR (and, therefore, for corporate reporting) and for the obvious trends from the prior year, showing significant increases in all categories.

The data confirm that use of social media for corporate reporting has been growing in recent years. Facebook, Twitter, YouTube, Flickr, SlideShare, StockTwits, Blogs, Google+, Pinterest and LinkedIn have all been used in varying degrees and in different ways.

The use of social media for reporting purposes was of incidental interest until April 2013, when the US Securities and Exchange Commission (SEC) issued a press release stating that:

“...companies can use social media outlets like Facebook and Twitter to announce key information in compliance with Regulation Fair Disclosure (Regulation FD) so long as investors have been alerted about which social media will be used to disseminate such information.”¹⁰

Regulation FD is the key SEC rule that seeks to ensure that no group of investors is favoured in the provision of information. The objective is to ensure a level playing field for all investors. The reference to Reg FD in the SEC announcement is important, as it allows companies to use social media for primary announcements, as long as the shareholders have been informed as to which social media will be used so they will know where to look for the information.

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Types of Information Disclosed Through Social Media

It is important to note that use of social media for purposes of investor relations is a concept that can be somewhat ambiguous. For example, there is information that is clearly investor related, such as earnings reports, or notices of shareholder meetings. This might be called Type 1 IR information. Then there is other information that is simply of interest to investors, even though it may not have been directed to them. This might include information on new products, new business arrangements or geographical information. This might be called Type 2 IR information.

So, how do companies actually use social media? We address this issue by type of social media, starting with Twitter and StockTwits.

Twitter

Twitter is, as seen above, the most heavily used of all the social media for corporate reporting. Although Twitter is limited to 280 characters, it can be used to convey weblinks, which gives it the capacity to convey large amounts of information in little space.

More than 60% of institutional investors say that social media will become increasingly important to them.

Twitter is being used by several companies for:

- earnings and corporate actions announcements;
- questions for conference calls;
- event promotion;
- live-tweeting of annual and quarterly meetings.

Examples include Alcoa, Pepsi, Starbucks, Coca-Cola Company, Boeing, eBay and BASF.

StockTwits

Many public companies are incorporating the use of StockTwits to help increase awareness and broaden access to their company information. For example:

- Of the sample of 890 companies in the Q4 survey, 66% have a presence on StockTwits.

- Two examples are Ford Company and the Royal Bank of Canada.

Starbucks won an award from the National Investor Relations Institute (NIRI) in 2013 for its use of Social Media in IR. One of the strong reasons for this success was its “Starbucks News” account on Twitter, which contains a good deal of IR information. This is still available at @StarbucksNews.

Another similar example was the “Dellshares” account of Dell Corp., which also contained considerable amounts of IR information before the shares were taken off NASDAQ in 2013. Dell can now be found under the hashtag @Dell. Cisco Inc. makes good use of Twitter as well under @Cisco.

Facebook and LinkedIn

Facebook is used less than Twitter, but more than others. Most Facebook use is directed to general marketing and does not usually contain much in the way of technical information. Nevertheless, some companies do include some investor-related information.

Newmont Goldcorp makes extensive use of social media, including using it for IR purposes. The [Goldcorp Facebook](#) site links to a blog, which in turn contains a feed of the Twitter tweets issued by/on Goldcorp. Also, that same page contains links to the other social media used by Goldcorp, which include the full blog “Above Ground,” YouTube, Slideshare and Flickr.



This is a good example of how some companies are using social media on an integrated basis, exploiting the particular characteristics of each form of media and linking them so that users can get a full view of the events or matters those companies wish to disclose.

But Can You Trust It?

The reliability of social media is often questioned, and for good reason. Many people make entries about a company even though they have no connection to that company and have neither particular knowledge nor expertise about that company. Naturally, the information they put on social media has a high possibility of being unreliable. Often, however, a company posts information itself, and this information is likely to be as reliable as any of the formal information it places in its annual report or other official media. Therefore, in considering social media for investor information, it makes sense to pay particular attention to all of the information a company issues. To preserve the integrity of the information released, some companies will set aside special corporate accounts for their social media content and exclude or prohibit any information from outside sources.

LinkedIn is a favourite social media for business professionals and one that can be used effectively for investor relations. Strangely, it has not yet achieved the level of use for IR that Twitter and Facebook have. However, some companies maintain corporate sites on LinkedIn and they do often have notices such as earnings releases and conference calls. An example is [Agrium Inc.](#)

Other Examples of Companies Using Social Media

Many international companies have become active participants in social media. A 2010 [Burson-Marsteller Fortune Global 100 Social Media Study](#) found that 79% of the largest 100 companies in the Fortune Global 500 index are using at least one of the most popular social media platforms: Twitter, Facebook, YouTube or corporate blogs. Approximately 65% of these companies have active accounts on Twitter, 54% have a Facebook Fan Page, 50% have a YouTube channel and 33% have corporate blogs (though not necessarily IR blogs). About 20% are utilizing all four platforms to engage with stakeholders. In Canada, companies such as Barrick Gold Corporation, Canada Gas Corp. and TVI Pacific Inc. see value in using social media, and they have incorporated it into their online communications plans.

[Barrick Gold Corporation](#) began using [Twitter](#) in October 2008 to increase the level of interaction between the company and its stakeholders. It uses Twitter to circulate news release headlines, providing a link to the full release. Over time, it began receiving questions and comments in @replies and direct messages, and responded to them as they arrived. After gaining comfort with the medium, Barrick Gold increased its posts and interactions with followers. It also followed related social media to stay up to date.

Barrick Gold provides Tweets about upcoming events, new content posted on the website, reminders of quarterly earnings announcements and conference calls. In April 2009, it launched a Twitter feed specifically for recruiting purposes (@barrickgoldjobs), in which it posts employment opportunities, links followers to the Career's section of its website and responds to questions from potential candidates. It also launched an official [Facebook page](#) for recruiting activities.

Usefulness of Social Media for Reporting

While it is well known that social media is widely used, the question arises as to whether investors use it. Much research has been done on social media usage, and statistics on such usage have been made available from a variety of sources.

Work done by Pew Research, for example, shows that 74% of online adults use social media.¹¹ The fastest growing demographic on both Facebook and Google+ is the 45–54 age group, at a rate of 46% and 56% respectively.¹² Similarly, on Twitter the 55–64 year age bracket is the fastest growing demographic cohort, with a 79% growth rate.

For particular groups of interest, however, the statistics show a different story. For example, a study done by the National Investor Relations Institute revealed that analysts don't use social media much. They feel it is not reliable but the institute did say that the most reliable form of social media is corporate blogs. In addition, the majority of survey respondent IR professionals (72%) said they do not use social media for their IR work.

Another survey, however, conducted by Q4 Inc., found that, consistent with the results of NIRI's 2010 social media study, respondents report not using social media for IR primarily due to lack of interest by the investment community. This survey also found, however, that the interest of IR professionals is growing. Almost half (49%) who do not currently use social media in their IR program plan to reassess the issue within the next 12 months.

Among investors, a Q4 survey showed that 52% of respondents utilize social media as part of their research process, a slightly smaller number than the 2010 levels of 56%; the vast majority of these respondents indicates that it has influenced their investment decisions at least occasionally.

According to an article on the PwC Website, "*Social media: time for reporters to join the conversation*," by Mehdi and Palmer, "around 50% of professional investors in the US regularly use blogs and follow each other on Twitter and StockTwits, and more than 60% of institutional investors say that social media will become increasingly important to them."

Most analysts, 92%, however, consider the information gleaned from social media sites as either somewhat or not at all reliable. According to the entire survey group, it is the lowest rated information source in terms of influence.

In light of the SEC's decision to grant credibility to postings on sites such as Facebook and Twitter, 43% of analysts assert they will likely utilize social media more often as part of their research process. Financial blogs, including Seeking Alpha, as well as LinkedIn and Twitter, are viewed as the most valuable social media resources; only 25% find company-sponsored blogs useful.

Challenges and Best Practices

In all social media, best practice calls for a dedicated presence as opposed to an *ad hoc* one on various other accounts. There is a clear need to distinguish between official corporate entries and those of other people. This is best accomplished by having a corporate account complete with logos and other material and images that clearly identifies it as an official corporate account. In addition, the account needs to be monitored closely by responsible employees to weed out the spam and inappropriate comments (if comments are allowed). All social media have a search facility so the entries should be labelled clearly and properly to enable the search engines to direct users as accurately as possible.

Best practices entries on Twitter

Twitter is known for utilizing hashtags such as #pepsico, #starbucks or #investors for its entries. Hashtags are very useful for helping users find entries and for categorizing tweets. As with all social media, entries should be official corporate notifications and made only by authorized people. Although Twitter is restricted to 240 characters, it does permit the inclusion of weblinks, which makes it possible to effectively use it to send out much larger pieces of information than the 240 characters and also makes it possible to stream events using weblinks to YouTube or other streaming media.

Best practices on Facebook

Facebook, while often used by companies for communications, is not widely used as a vehicle for corporate reporting, although a great many organizations use it for marketing purposes. If it is used, the same rules apply as for other social media: have a dedicated administrator, make the entries as official corporate entries and differentiate the corporate entries from those of others.

Best practices on YouTube

YouTube enables the use of playlists, which facilitate the grouping of videos under appropriate and relevant headings. For example, executive announcements can be grouped together, as can all videos for a particular fiscal year.

YouTube offers separate corporate channels that can be used as a local rallying point and a convenient location for related videos. Finding relevant information on social media is always an issue. Although all the media have search engines, they aren't always enough.

Some of companies help their users by providing indexes and customized search facilities. Siemens is a good example of this in their use of YouTube. That company provides playlists that classify the video content by topic. Although they are not restricted to investor relations, many of the playlists can be identified as likely relevant to investing. For example, their playlist for industrial productivity should be of interest to investors.

Objectives, Plans and Oversight

Companies have been using social media for corporate reporting purposes with increasing frequency. Each of the popular media has a useful purpose and, to be effective, the use of

social media needs to be carefully planned and managed. There should be objectives and plans of action and proper oversight.

Endnotes

¹ The [2009 Social Media Reality Check](#) consisted of two separate online surveys. The first survey, covering 1,516 respondents, was conducted among members of [Leger Marketing](#) Online Panel of adult residents from across Canada. (With a sample size of 1,516, results can be considered accurate to within +/- 2.5 percentage points, 19 times out of 20.) The second survey, covering 615 respondents, was conducted with marketing/communications practitioners obtained primarily from [CNW Group](#) client lists. (With a sample size of 615, results can be considered accurate to within +/- 4.0 percentage points, 19 times out of 20.) Both groups were identified to be users of social media. The survey results are available online at [Slideshare](#).

² <https://www.westuc.com/en-us/blog/digital-communications/infographic-how-social-media-transforming-investor-relations-0>.

³ Refer to "Survey Reveals IR Professionals Slowly Embrace Social Media, Especially Smaller Companies — and Which IR Blogs They Read" (*IR Alert*, September 2009).

⁴ The research report [Public Companies and their use of Twitter for Investor Relations](#) is available on the Q4 website.

⁵ Read "[Attention Twitter Fence Sitters: New Report Shows IR Twitter Usage Up; Q4 CEO Says Best Buy's IR 2.0 Best Practices Instructive](#)" (*IR Alert* online, December 3, 2009).

⁶ Q4 Inc. study, 2013.

⁷ Diageo and BP Top Social Media Reporting Index, *IR Magazine*, <https://www.irmagazine.com/reporting/diageo-and-bp-top-social-media-reporting-index> .

⁸ <https://www.fticonsulting.com/insights/fti-journal/making-splash-financial-reporting-social-media>.

⁹ <https://www.westuc.com/en-us/blog/digital-communications/infographic-how-social-media-transforming-investor-relations-0>.

¹⁰ SEC Press Release, Washington, DC, April 2, 2013.

¹¹ Pew Research Study.

¹² GlobalWebIndex, Q1 2013 Stream Social Report.