

THE NEW INVESTOR P A R A D I G M

REACHING RETAIL

In the past, a company's ability to reach its retail shareholder base meant sending letters to retirees, dividend collectors and "mom and pop." Today, it means finding and engaging a broadening range of individual investors, including online traders with names like "McPowPow" and "PanickyLemur."

A wave of stock fanatics flocking to public company shares via commission-free trading platforms has grown during the past year. Spurred by pandemic-related stimulus checks, stay-at-home orders and other factors, this new crop of investor has helped jolt rallies in certain stocks and fueled the SPAC boom, while at the same time creating a heap of headaches – and opportunities – for investor relations and communications teams.

The impact of this mostly younger crowd is being felt every day in the markets through stock swings, shareholder votes, and trading volumes. SIFMA data show that average daily equity volumes through the first quarter of this year were 40 percent higher than in 2020 – a jump that has eased in the last few weeks. An **IR Magazine and IHS Markit analysis** of 20 popular Reddit posts shows a massive median volume spike the day after a stock is mentioned.

This is the new reality. Companies need to think carefully about how to access these investors and how to earn their support. Methods for communicating with them are changing fast. These include direct outreach, careful attention to brokerage data, close monitoring of chat boards and heightened social media engagement, along with utilizing key media outlets when appropriate. Skilled communication in this area is particularly important when the company is counting on individual investors for a key vote, whether for a proxy battle or a major strategic move. The surge of Special Purpose Acquisition Companies (SPACs) has put an added spotlight on the issue, as sponsors have discovered that corralling this audience is only getting harder.

"You need to really work hard to find them and communicate with them. You need to remind them that their vote does count, and that they need to take action," said Chuck Garske, Senior Managing Director at Okapi Partners, a proxy solicitation firm. Successfully reaching these investors comes only after detailed, step-by-step work with banks, brokers, and intermediaries to determine the names, addresses, phone numbers, and in some cases, the email addresses of these accounts, Garske added. Once companies and their advisers comb through the accounts, the key is to understand the profile of each investor and maintain steady engagement.



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BROADEN COMMUNICATION CHANNELS

Gauging sentiment through a focused monitoring effort will limit surprises and allow you to manage communications in the moment. IROs and communications directors should monitor chat rooms – Reddit’s WallStreetBets and the like – as well as Twitter handles and other social/digital outlets popular among this crowd. What begins as a trickle of attention can quickly turn into a flood. You may not always need to respond, but understanding the landscape and audiences will help a company get ahead of a communications issue rather than fall behind.

Media is a critical avenue for communicating with this new cohort, and many existing outlets and platforms are strong venues for doing so. After all, the Reddit crowd isn’t the be-all and end-all of small shareholders. There are key personalities and influencers who have gained significant trust with individual investors that are active on social media and other digital platforms.

Individual investors turn to a combination of traditional and digital media, especially broadcast and video platforms like CNBC, Yahoo! Finance, Cheddar, Fortune Video, and more. Commentators like “Mad Money’s” Jim Cramer command a ton of respect from these investors. Companies looking to instill confidence in their leadership team and business strategy can gain a lot of traction with a solid appearance on the show if they’re well-prepared. That can then lead to multiple mentions by the anchors during the next-day broadcast, shares on social media and more.

COMPANIES CAN GENERATE BOTH CONSUMER INTEREST AND EDUCATE INVESTORS BY PUBLISHING ENGAGING, DIGESTIBLE CONTENT ON THEIR SOCIAL CHANNELS OR A VIDEO PLATFORM, WHICH CAN GENERATE NEW EARNED MEDIA COVERAGE.

Companies can also take more direct routes to individuals, including collaborating with key influencers and publishing marketing materials on platforms like Twitter and YouTube. Find the best platform to tell your story and reach a wide audience. YouTube, for example, has an array of channels that focus on specific industries. There are channels popular among traders and monitored by the platform, offering a safer venue than some of the chat boards. Going direct-to-consumer can be particularly effective. Companies can generate both consumer interest and educate investors by publishing engaging, digestible content on their social channels or a video platform, which can generate new earned media coverage. Paid advertising campaigns are another route.

Invest in the relationship. Deploy a smart communication strategy to build trust with a broad range of individual investors, from faithful retirees to meme stock traders like “MasterCookSwag” and “Keenfeed.”

– Michael Flaherty & Danielle Fornabaio

