

November 1, 2001 Volume 2, Number 3

## The New Generation of Investor Relations Agencies What Communications Pros Need to Know As the Lines Blur Between Trades

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During the Internet gold rush of 1999, an array of new communications companies emerged to tackle the many Web startups and more traditional companies seeking to carve out slices of market share in the New Economy.

Obsessed with integrating an IPO strategy at all costs, organizations turned to traditional IR firms to cultivate Wall Street. Eventually, a new breed of IR agencies emerged to tackle the often more glamorous role of business media relations when the road to IPO was either on the extended horizon or indefinitely postponed in order to inflate perceived valuation.

PR agencies were left baffled, questioning the need to separate the media if true "investor relations" was engaged. After all, any good PR shop will first understand the technology and how it impacts multiple markets, including enterprise and business strategies. In turn, any new generation IR agency will say that's how to reach investors, through traditional business vehicles that ultimately influence the market, and who better to call a business pub than an IR, market-friendly specialist. A good point ... and a tough one to argue.

The gold rush spawned an agency boom, which ultimately drove the creation of boutique PR agencies that shared corner spaces with every 7-11 and gas station possible and also fueled this new breed of IR agency. These agencies carried a flag of market PR and IR, or occasionally Strategic Media Relations, and they represented an evolutionary change from their PR and IR origins.

During NASDAQ's 5,000-point peak, every dot-com and aspiring brick-to-click-and-mortar operation set out to woo Wall Street. To succeed, they needed to boost the stock price. It wasn't unusual to hire multiple agencies to manage multifaceted programs and generate corporate brand awareness, promote technology benefits and appeal to VC and institutional investors. During the boom, many new IR agencies crossed the line between IR and PR to fuse the two services, offering companies an integrated communications package for business and financial publicity. In the process, they did not always embrace the tasks of working with the investment community directly. Many companies capped the PR portion of their business media relations, leaving trade targets to the PR team.

But the question surfaced: Does this new breed of IR agency really engage in the due diligence necessary to manage market makers, earnings, and institutional investors, or is it simply PR in a more "strategic" guise?

I'm not sure the answer was ever completely nailed down, and now, thanks to basic economic principals, the playing field has shifted yet again.



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NASDAQ tumbled below 2,000. The IPO pipeline is now as empty as Brittany Spears' song lyrics. The branches of VC money trees are producing only sap instead of monetary fruit. This leaves next-gen IR and boutique PR firms struggling to find new reasons to battle for existence. The race for justification is generating a combined product of PR and IR, fusing traditional investor relations with business media relations.

But what has happened to traditional IR organizations? Forgetting about business media relations for a second, who's talking to market makers and individual investors? And who is working the trade press?

Many publicly traded companies and those seeking investments employ the services of IR groups to communicate financial news and activities as well as to interact with investors. Due to budget restrictions, many executives are opting for IR over PR in the hopes of moving a stock price north or expediting the next round of funding.

IR over PR? What about the trade? What about the customers?

After all, is this new breed of IR qualified, staffed and capable to move stock prices, influence market makers and appease the investor community? Can traditional IR influence a market to use products, solutions or services? Isn't the lesson we learned from Wall Street tied directly to revenue? Revenue does equal the potential for profitability, and profitability provides the basis for a solid, not hollow, valuation or stock price. Investors have become leery of bubble valuations.

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Nowadays, the promise to generate brand equity in business markets underlies the appeal of the hybrid PR/IR firm, with or without a ticker symbol. As an executive who may or may not be familiar with PR and next-gen IR, the lure of Business Week, Forbes or Wall Street Journal coverage could far out shine the visibility generated in EE Times or Information Week. To compete, traditional PR agencies are now offering a form of these evolving, non-traditional IR services with the ultimate hope of securing a combined technology and business campaign. But isn't it the job of any good PR agency to offer technology and business media relations under one corporate campaign? And shouldn't IR focus instead on the due diligence of true investor relations?

Let's not forget the client's customers, who offer the true basis of profitability.

It is important for companies to select the right IR and PR organizations, and not to confuse the role of one with the other. A good "total relations" team, whether made up of a single agency or several, is vital in order to successfully create a well-rounded presence across the board with the investment community, the media, influencers, analysts and, finally, with customers.

The IR/PR/Media relations industries are all about communication, and we cannot forget that communicating a customer's thoughts effectively and exposing the target audience to a customer's market philosophy is as much the ultimate goal of the company as of the agency.

Regardless of whether the desired audience is investors, trade targets, or the mass media, the goal is ultimately the same. For that reason, any other concern pales by comparison. The most important objective of any communications effort -- IR, PR, or any combination thereof -- is to communicate effectively. That is the measure of an agency, and that is the standard by which an agency will succeed in the "Next Economy" -- or the standard by which it will fail.

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