

Corporate Web Pages as a Key Communication Channel for Financial Publics

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This study was designed to examine the current status of corporate Web site usage for investor relations and to assess prevalent features of investor relations activities through an analysis of the Web sites of the largest companies in the U.S. While Web sites have emerged as important communication channels for implementing investor relations strategies, few previous studies have considered how the largest companies in the U.S. strategically communicate with their financial publics, how different types of industry utilize Web sites for investor relations functions, and at which stage of Web site development of investor relations the largest U.S. companies currently are. In this sense, this study is meaningful for understanding the current status in terms of the developmental stages of investor relations functions represented by these companies' Web sites. Furthermore, this study offers insight into how companies should proceed in developing and improving their Web sites for their financial publics.

A content analysis of the public Web site of every Fortune 500 company was examined to determine where it lie in the developmental stages, its usage of investor relations features, and the industry differences of its usage.

Of the 500 companies analyzed in this study, more than 90 percent exhibited some contents for investor relations on their Web sites. This finding indicates that Fortune 500 companies are well on their way to establishing Web sites that highlight investor relations strategies, and most companies have also started to utilize their Web sites to communicate with financial publics. The most frequently used investor relations features among the Web sites reviewed were 'SEC filings,' 'annual report,' and 'corporate governance.'

In terms of the developmental stage, the majority of companies had already entered the second stage of Web site development, which involves recycling traditionally paper-based documents, and moved into the last stage of development, represented by a company taking full advantage of the interactive features of new technology made available through the Web site format.

This study compared investor relations features across industries in terms of the three established categories and the three developmental stages suggested by Hedlin (1999). This study found that companies that engage in investor relations activities through their Web sites do not differ in terms of industry type. In the U.S., providing financial information on corporate Web sites seems to be a standard feature of investor relations strategy across the various industry types. This study also found that the features of

investor relations on corporate Web sites have a positive association with revenue and profits while the effect is small.

As a byproduct, this study found that a company's investor relations score and stock information is positively associated with the company's revenue, though the magnitude of the impact was small for both. This finding indicates that Web sites of companies with more revenue demonstrate more features of investor relations overall and also provide more stock information.

LITERATURE REVIEW

More open and transparent communication of a company's financial information with its financial publics has been considered an essential component of investor relations since the stock market crash in 1929. Consequently, the role of public relations in investor relations programs has been emphasized. Transparent disclosure can earn an organization major points with its financial publics, which can in turn help to enhance market capitalization (Silver, 2004). Regulation Fair Disclosure (Regulation FD) and the Sarbanes-Oxley Act of 2002 require public companies to disclose financial information in open and transparent manners.

The corporate Web site, an innovative communication channel, can allow for greater ease and efficiency of such communication. Unlike a conventional circular, a corporate Web page provides full and complete disclosure of the organization's financial news to all interested financial publics 24/7, employing methods such as interactive historical charts of stock price changes or video clips of meetings. Moreover, Web sites allow everyone a more equal opportunity to access the company's financial information.

During the emergence of Web sites as an essential communication channel for investor relations activities, scholars have researched the features of investor relations conveyed vis-à-vis company Web sites in several countries, including Austria (Pirchegger and Wagenhofer, 1999), the UK (Craven and Marston, 1999; Gowthorpe, 2004; Lymer and Tallberg, 1997), Germany (Deller et al., 1997), Sweden (Hedlin, 1999), and Japan (Marston, 2003). While the U.S. is a leading country in the global financial market, research investigating the features of investor relations through corporate Web pages in this country is still at its incipient stage. Thus far, only one study has examined the features of Web pages in the U.S. that emphasize investor relations. Hong (2006) examined the Web site contents of the *Forbes* 200 small companies to determine how these companies maintain relationships with their financial publics through their Web sites. Among the six relationship maintenance strategies identified—access, positivity, openness, assurances, networking, and sharing of tasks¹—openness was found to be the strategy most commonly employed in corporate Web sites for targeting financial publics.

¹ See Hong (2006) for the detailed descriptions of the six maintenance strategies.

While the aforementioned study is meaningful for understanding how small companies communicate with their financial publics, investor relations activities are related to company size, as indicated by Marston (1996). That is, larger companies are more likely to provide more sophisticated features of investor relations on their Web sites, because such companies tend to have a longer history and well-developed system of investor relations. To date, none of the previous studies have exclusively investigated how the largest companies in the U.S. strategically communicate with their financial publics through their Web sites or how different types of industries utilize investor relations functions on their Web sites. According to Hedlin (1999), corporate Web sites for investor relations activities go through three development stages²:

- 1) Web site presence,
- 2) making traditional paper documents available through the sites, and
- 3) taking full advantage of the interactive features available on Web sites.

This study also examined the progress of *Fortune* 500 investor relations Web sites by determining which stage of Web site development each demonstrated.

The purpose of this study is to examine

- 1) how the largest companies in the U.S. communicate with their financial publics through their Web sites,
- 2) which development stage U.S. Web sites exhibit, and
- 3) how investor relations features and the developmental stages in different industry Web sites are similar or different.

Analyzing content of investor relations features can help us envision the big picture of investor relations development on corporate Web sites. The result of this study can be used as a benchmark for future evaluation and development of investor relations features in corporations.

The Convergence of Public Relations and Investor Relations

We are in the convergence era of investor relations and public relations now. More and more scholars have acknowledged investor relations as a combination of two disciplines—communication and finance (e.g., Brown, 1994; Johnson, 1990; Marston and Straker, 2001; Silver, 2004). These scholars consider investor relations to be the communication activities employed by an organization to distribute its financial information to financial publics, such as investors, analysts, financial media, and potential investors (Marston and Straker, 2001). Silver (2004), an advocate for blending investor relations and public relations, has even warned that failing to blend these two functions would negatively impact a company's share price, credibility, and reputation. Following the current trend, National Investor Relations Institute (NIRI),³ the major organization specializing in investor relations, recently founded the Center for Integrated Communication, which specifically focuses on the issue of investor relations and public relations consolidation.

² Each developmental stage is discussed in the literature review section in detail.

³ See more detail information on NIRI Web site at www.niri.org

The definition of investor relations reflects this trend. Lattimore, Baskin, Heiman, and Toth (2008) defined investor relations as building “positive relationships with the financial community by providing corporate information” (p. 273). This definition reflects the current public relations paradigm that highlights the relationships between an organization and its publics. Similarly, the NIRI defines investor relations as “a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation” (National Investor Relations Institute, n.d.).

While scholars claimed that investor relations as a function of public relations, investor relations is rarely researched in the field of corporate communication. For example, Laskin (2009) commented that “investor relations is one of the least researched areas of corporate communication” (p. 208). Laskin (2009) further noted that searching the reference of *Communication Abstract* showed only a couple of academic publication on the topic of investor relations between 1992 and 1996. To add more empirical research on investor relations on corporate communication perspective, this study was pursued.

Integration of New Technologies into Investor Relations

As the definition of investor relations provided by NIRI indicates, the primary function of investor relations is the distribution of information to aid financial publics in evaluating organizations in order to make informed capital allocation decisions (Brennan and Kelly, 2000; Deller, Stubenrath, and Weber, 1999). The investor relations professionals should provide investors with timely, accurate, and complete information regarding the company’s business fundamentals and future prospects (Farragher, Kleiman, and Bazaz, 1994). To meet these shareholder needs, investor relations professionals used several traditional tools prior to the advent of the Internet, including the corporate report, the interim report and the annual meeting, press conferences, round-table and one-on-one discussions and telephone conference calls (Gunther and Otterbein, 1996).

In addition to these traditional tools, the Internet offers a new communication channel for disseminating information to company shareholders and also provides several incentives to both the company and its shareholders. First, a company can substantially lower information distribution costs, including those associated with printing and mailing annual reports to all shareholders. Second, this new technology helps companies reach potential shareholders that could not be identified in the past. Previously, the traditional paper report was limited to the parties who requested and/or were required to receive the financial information (Ashbaugh, Johnstone, and Warfield, 1999), but the Internet allows individuals outside of these designated financial publics to access a company’s financial information. Furthermore, current and potential investors can take advantages of this disclosed information at any time simply by accessing the company’s Web site.

Investor relations activities through corporate Web sites have grown increasingly important for a couple of reasons. First, the stock market is now open to everyone. A 1997 NASDAQ survey indicated that 43% of American adults engaged in the stock

market, double the percentage found to participate in 1990 (NASDAQ Stock Market, 1997). More than 30% of those investors indicated relying heavily on Web sites to acquire financial and investment information (NASDAQ Stock Market, 1997). More importantly, the gate of the global stock market is open. Today, nearly everyone around the globe has similar opportunities to purchase stocks from companies in any country. With the rising popularity of online brokerage sites such as E*Trade.com, these global investment opportunities proliferate. Second, the New Regulation Financial Disclosure (Regulation FD) enacted by the Security Exchange Commission (SEC) in 2000 has made this new tool more essential in the disclosure process. This regulation required public companies to provide the same material information to all investors, including individual investors, out-of-management-favor analysts (Silver, 2004). Since a key task of investor relations is meeting the previously mentioned disclosure requirement and Web sites allow equal access to all current and potential investors, the Web site provides an excellent medium for transmitting relevant financial and investment information.

Studies in Analyzing Investor Relations Functions on the Internet

Since the emergence of the Internet, scholars in public relations have investigated how this new communication channel can be strategically used. In their analysis of *Fortune 500* Web sites, Esrock and Leichty (2000) found that investors constitute the most frequently targeted public addressed by these sites. Another study indicated that many corporate Web sites provide useful information for shareholders in efforts to attract potential investors (Perry and Bodkin, 2000).

Due to the importance of investor relations, studies investigating this topic in the context of the Internet have increased in number, with most studies falling into one of three categories (Pirchegger and Wagenhofer, 1999). The first group of studies addresses Internet use for investor relations activities within a certain country (e.g., Deller et al., 1997, 1999; Gowthorpe, 2004; Lymer and Tallberg, 1997; Pirchegger et al., 1998). Gowthorpe and Amat (1999) reviewed the Web sites in Spain to examine their levels of Internet communication. The study concluded that Spanish companies lag behind their foreign counterparts in using the Internet to communicate with their investors, though Web sites are becoming increasingly prevalent. In another study, Gowthorpe (2004) investigated the Web sites of 153 UK companies and determined that the sites analyzed were used asymmetrically in communication, and these companies did not take full advantage of opportunities to utilize Web sites. This category of studies yields data regarding the quantity of information provided on companies' Web sites, how effectively the companies employ the Web sites for communication, and the ways in which companies differ in their use of Web sites for investor relations activities.

The second category of studies involves comparing investor relations activities presented on companies' Web sites in different countries. For example, Hassink, Bollen, and Stegink (2007) researched the efficacy of the Internet as a channel for providing more interactive communication between an organization and its financial publics by examining three characteristics—responsiveness, timeliness, and email responses. They selected companies from six countries, including Australia, Belgium,

France, Netherlands, UK, and South Africa, and ultimately found that the Web sites examined were far from symmetrical and interactive across the companies in the different countries. In another study, Pirchegger and Wagenhofer (1999) explored how companies in Austria and Germany offered financial information to their stakeholders through their Web sites. The study revealed that the quality of Austrian Web sites has been improved significantly and that quality levels are positively correlated with the size of companies in Austria. However, similar results were not discovered in the German companies.

The last group of investor relations studies attempted to identify differences among companies' Web sites and then test empirically to determine which factors affect these differences. For example, Marson and Leow (1998) assumed that company size and industry type are two primary factors that affect the differences. They tested a sample from the FTSE 100 companies in the UK and found some evidence indicating the effects of these factors, though the results were mixed. Lymer (1997) investigated the top companies in the UK by market capitalization. The study found that a majority of the companies (92%) had Web sites. They also discovered that while financial service companies, including banking and insurance companies provided limited financial information on their Web sites, retail and pharmaceutical companies shared greater amounts of this information in their Web sites.

Because this study aims to determine the current status of investor relations features in the top 500 companies in the U.S. while considering company size and industry type factors, this study falls into both the first and third categories of investor relations research.

Three Stages of Web Site Developments in Investor Relations

Hedlin (1999) categorized the following three stages of development in reporting a company's financial information:

- 1) establishing a corporate Web site,
- 2) using the Web site as a tool to communicate financial information, and
- 3) taking advantage of the unique features and possibilities of the Internet medium.

The first stage of using Web sites as an effective communication channel with diverse publics is Web site establishment. In this first stage, a company creates a Web site that includes general company information. In this stage of Web site development, the company's target audience, purposes, and contents remain unclear. Generally, customers are the focus of the Web sites (Hedlin, 1999). Some studies have simply examined the prevalence of Web sites to determine if companies have reached this initial stage of development. For example, Lymer and Tallberg (1997) investigated all 72 listed Finnish companies and revealed that 90% had Web sites. Wildstrom (1997) analyzed the top 50 high performance companies in the U.S. according to *Business Week* and found that 47 of the 50 had Web sites. The study indicated that high-tech companies tended to use this new medium best.

The second stage of development involves a company using its Web site to distribute financial information to its publics. In this stage, Web sites provide different categories of information based on the needs of the target publics with which the company wants to communicate. In this stage, the Web site recycles information that had previously only been presented in paper-based versions, including annual reports, interim reports, and press releases. At this stage, the Web site is primarily used as an efficient and low-cost channel for information distribution. However, specific advantages of the Web site format for improving the progress of reporting practices are not realized at this stage (Hedlin, 1999). In his analysis of Swedish companies' Web sites, Hedlin (1999) discovered that most of the companies had started to use their Web sites to communicate directly with their investors. However, much of the information presented on the Web sites is recycled from paper-based documents, such as annual and interim reports.

The last stage of Web site development involves a company taking full advantage of the unique features and possibilities offered by Web site format. In this stage, companies use corporate Web sites as an additional conduit for disseminating traditional paper-based information while also exploring and employing the distinctive features and communication opportunities unique to Web sites (Hedlin, 1999).

Few previous studies have exclusively focused on the investor relations features of *Fortune 500* companies' Web sites by applying the three developmental stages of Web sites for investor relations programs. Thus, the following research questions were drawn:

Research Questions

RQ1: How frequently do the largest U.S. companies use investor relations features in their Web sites?

RQ2: What are the most common investor relations features used in these corporate Web sites?

RQ3: Currently, in which development stage are the Web sites of the largest U.S. companies?

RQ3-1: Do different types of industries display varied progress through the development stages?

RQ4: Do different types of industry display different investor relations features on their Web sites?

METHODOLOGY

Research Design

A content analysis of the public Web site of every *Fortune 500*⁴ company was examined to determine where it lie in the developmental stages, its usage of investor relations features, and the industry differences of its usage. *Fortune 500* companies' Web sites in the U.S. represent the best sample for the purposes of this research for several reasons. First, the U.S. has taken a leading role in the world financial markets, and the development of investor relations is mature due to the consistency of its role in the financial markets. In the U.S., *Fortune 500* companies represent the U.S.'s most highly respected business organizations and are therefore assumed to be industry leaders in their investor relations functions (Li, McLeod, and Rogers, 1993). Second, it is estimated that companies spend \$65,000 designing Web sites in their first year, and maintenance, including email responses, necessitates twice as much time and effort (Shermach, 1997). Considering the resources that contribute to Web site development, *Fortune 500* firms are the most likely to have sufficient resources to engage in full-featured Web sites directed at investor relations. Generally speaking, *Fortune 500* companies take on a leading role in terms of innovative technologies such as Web sites (Li, McLeod, and Rogers, 2001; Liu, Arnett, Capella, and Beatty, 1997). The structure of investor relations features identified in this study can be used as a benchmark for the development of Web pages directed toward other company's investors.

Coding Scheme

In the current study, a coding sheet was developed to allow for content analysis of corporate Web sites' investor relations components. The coding sheet was developed through an analysis of corporate Websites listed by *Fortune 500*. After reviewing 50 corporate Web sites, the authors identified over 50 different components of investor relations present in the sites. These investor relations components were organized into three broad categories, financial reports, stock information, and other financial information items.

Following the creation of an exhaustive list of investor relations components in corporate Web sites, a random selection of 25 corporate Web sites was analyzed to test instrument reliability. The final inter-coder reliability for this study was determined to be 91 percent by Holsti's (1969) formula⁵.

MEASURES

Company profile. The following information from the 2007 *Fortune 500* companies was collected: company name, 2007 *Fortune 500* rank, 2007 revenue, and profits. Rank and revenue information were obtained from the *Fortune 500* site.⁶

⁴ See http://money.cnn.com/magazines/fortune/fortune500/2007/full_list/index.html

⁵ Reliability = $2M / (C1 + C2)$, M is agreement of the coder's coding decision, C1 and C2 are the total number of coding decisions made by the two coders.

⁶ http://money.cnn.com/magazines/fortune/fortune500/2007/full_list/index.html

Type of industry. This study used the Global Industry Classification Standard (GICS), including ten industry types suggested by Standard & Poor's U.S. Sector Indices (2002), to identify the industry type of each company. The ten industry categories analyzed were: energy, materials, industrials, consumer discretionary, consumer staples, health care, finance information technology, telecom service, and utilities.

Existence of Web site. This study considers a company Web site to be an independent Web site of a company. The first developmental stage of advancing investor relations features through corporate Web sites is the actual creation of a site (Hedlin, 1999). More importantly, this study was designed to examine the content of investor relations features presented in each company's Web site. The initial step in this process involved coding the existence of a Web site. Sites that were under construction or did not load during the coding period were coded as "not available."

Existence of Investor Relations Section. This category of analysis considers whether or not a company's Web site provides a sub-page tailored made for financial publics. Instead of simply analyzing the front page of a company Web site, this study reviewed all pages related to investor relations, meaning that every link in the investor relation section was examined for each site. If a Web site did not provide a separate page for investor relations, content from the "about company" section was reviewed to determine if the company provides financial information to its financial publics.

Title of Investor Relations Section. To identify the variation in titles of the investor relations sections, the title of each site's section was coded. Usually, the investor relations portion of the companies' Web sites is identified in terms of one of the six categories—investor relations, investors (information), shareholders (information), and media.

Financial Reports. To help financial publics understand company's financial performance and prospects, public companies provide diverse financial reports. The new Regulation FD requires that public companies disclose SEC Filing and Proxy statements to investors. For this study, each investor relations section was reviewed to determine the types of financial reports or publications provided on company Web sites.

During the preliminary coding, the following 14 common categories were identified:

- a) earning reports/performance reports,
- b) annual reports,
- c) SEC Filing,
- d) proxy statement,
- e) financial/operating overview/reviews,
- f) quarterly/periodical report,
- g) financial fundamentals,
- h) income statement,
- i) balance sheet,
- j) earnings estimates,

- k) statement of cash flows,
- l) sales reports, and
- m) equity/debt information.

Stock Information. Stock information indicates a diverse type of information that affects financial publics' decisions to buy and sell stocks. Although a company's stock price is a primary concern for investors, the company's Web site can serve as the most effective channel for providing current and potential investors with up-to-date stock information almost instantaneously, which is impossible offline (Middleberg, 2001). Stock information may be provided in a variety of formats, including stock quotes, visual graphs and charts, historical price look-ups, dividend histories, calculators, and stock split histories. Such a diversity of stock information can help current and potential investors assess their prospects for buying or selling stock in the company.

For this reason, the following features of stock information were coded in this study:

- a) stock quote,
- b) visual graph and chart,
- c) historical price change,
- d) dividend history,
- e) calculator, and
- f) stock split history.

The stock quote represents the price information of a stock at a particular time. The visual graph or chart presents the pattern of stock price change during the day for NASDAQ, S&P, or both. The historical price look-up indicates how the stock price has changed during specific periods. The dividend history presents the amount of dividends a company has paid. The calculator allows financial publics to calculate how much they earn with their investment. The stock split history indicates how a stock-split ratio has changed.

Other financial related information. The following financial information items were found during the preliminary coding stage:

- a) request for printed publication,
- b) proxy voting,
- c) investor relations search engine,
- d) ownership summary,
- e) investor fact book,
- f) corporate governance,
- g) Webcast,
- h) event calendar,
- i) news release (or press release),
- j) analysts coverage,
- k) investor relations FAQs,
- l) email news alert,
- m) transfer agent, and
- n) contact information.

The option for request of printed materials can serve to identify the person who requests a hard copy. Currently, most company publications are available to download online, but many people still like to receive a conventional hard copy. Moreover, this printed publication request option available through companies' Web sites can help reduce offline workload in handling such inquiries (Witner, 2000). Providing shareholders with a proxy voting option allows for greater convenience of participation in the voting process and can also save time and resources for companies in soliciting votes. An investor relation search engine is a site search engine specified for finding investor related information. Designated search engines for financial publics would be helpful for quickly finding necessary information and for promoting the image of effective investor relations in the company. Presenting corporate governance in a transparent manner can help boost the perception of leadership credibility among financial publics. Corporate governance includes information related to the following: corporate governance guidelines, board members, contact information of the board, senior (executive) officers, and committee and charters. Webcasts allow a company to broadcast either audio or video events, presentations, or CEO speeches, etc. to its financial publics. Files of these events can be webcasted live or archived for later playback. This study coded whether a company Web site includes a Webcast feature. A company Web site's event calendar relates the dates of major upcoming events in the company, including new product releases, earning reports, press conferences, and conference calls, etc. This study reviewed and coded whether or not a company's Web site offers an events calendar allowing financial publics to be aware of upcoming events. Posting news or news releases on a company Web site can promote its credibility to media, which in turn helps to improve overall corporate performance.

Analyst coverage involves estimates or forecasts of the company's performance or its management by third party experts. Investor relations FAQ is a list of frequently asked questions about investing in the company. A well-conceived IR FAQs reduces offline workload by anticipating and answering inquiries about investing in the company. A company's email news alert is a free service open to anyone who would like to voluntarily subscribe to receive email alerts about the company's latest news. Due to its focus on investor relations, this study coded whether or not each corporate Web site provides a financial news alert service. The contact information for transfer agent is designed to maintain records of investors or transactions for existing shareholders. The contact information category indicates whether or not the corporate Web sites include contact information for either the investor relations or shareholders service departments. Most of the aforementioned features have been recommended for inclusion in corporate Web sites for investor relations (Witner, 2000; Middleberg, 2001; Haig, 2000)

Each coding item received a score on a scale of zero to three, with zero indicating nonexistence, one meaning that the feature represented a recycled version of an offline paper document, and three representing an interactive feature of the new technology. For example, a company that posts its annual report on its Web site received one point, because it is simply uploading a paper version of the document and fails to utilize the interactive features of a Web site. However, webcasts received three points, because

this communication function is not possible offline. The points assigned to each item are displayed in Table 1.

RESULTS

Fortune 500 Companies Profile

As Table 1 shows, the number of companies of each industry type varies as follows: energy (n=33, 6.6%), materials (n=50, 10.0%), industrials (n=76, 15.2%), consumer discretionary (n=113, 22.6%), consumer staples (n=39, 7.8%), health care (n=36, 7.2%), financials (n=90, 18.0%), telecommunication services (n=5, 1.0%), utilities (n=29, 5.8%) and information technology (n=29, 5.8%). The average revenue for the companies is \$19,793.53 (million), ranging from one company at \$4,323 (million) in revenues at the low end to the maximum revenue of \$351,139 (million) posted by the top company. The average profit among the 500 companies was \$1,572 (million), with all profits falling between a range of -\$12,613 (million) at the lowest to \$39,500 (million) at the highest.

Prevalence of Web sites

Among the 500 companies analyzed, 498 (99.6%) companies had a Web site. The two (0.4%) companies lacking Web sites are in industrials and the health care industry. This finding indicates that with only a couple of exceptions, nearly all the largest companies in the U.S. have achieved the first developmental stage for investor relations on corporate Web sites.

Prevalence of Investor Relations Web pages

Regarding the first research question, results indicate that 472 (94.8%) of the company Web sites reviewed contained some content regarding investor relations, while 26 (5.2%) did not include any information aimed at utilizing investor relations materials. These results are represented in Table 1. Additionally, the following names were most commonly used to refer to the investor relations section of the companies' Web sites: 'investor relations' (n=292, 61.9%), 'investors' (n=106, 22.5%), 'investor or shareholder information' (n=46, 9.2%), and other names (e.g., investing, investor and media, etc.) (n=28, 5.9%). The 472 sites found to contain some form of investor relations material were subjected to further content analysis.

Table 1. Sample Profiles

Industry	Total firms	Firms with sites		Firms with IR sites	
		N	%	N	%
Energy	33	33	6.6	33	6.6
Materials	50	50	10.0	49	9.8
Industrials	76	75	15.0	73	14.6
Consumer discretionary	113	113	22.6	108	21.6
Consumer Staples	39	39	7.8	38	7.6
Health care	36	35	7.0	32	6.4
Financials	90	90	18.0	81	16.2
Telecommunication Services	5	5	1.0	5	1.0
Utilities	29	29	5.8	26	5.2
Information Technology	29	29	5.8	27	5.4
Total	500	498	99.6%	472	94.8%

Features of Investor Relations on Web sites

The second research question asked *What are the most common investor relations features used in these corporate Web sites?* To begin, the most frequently used features across three categories—financial reports, stock information, and other financial related information—were analyzed to determine their prevalence and pinpoint which features were emphasized in corporate Web sites. Among the 472 Web sites that demonstrated features of investor relations, the feature most frequently referenced among the Web sites was ‘SEC filings’ (n=452, 96.0%), followed by ‘annual report’ (n=445, 94.5%), ‘corporate governance’ (n=438, 92.8%), and ‘stock quote’ (n=423, 91.2%). The least frequently expressed features were ‘sales data’ (n=13, 2.8%), ‘equity/debt information’ (n=17, 3.4%), ‘online proxy voting’ (n=33, 7.0%), ‘IR research engine’ (n=35, 7.4%), ‘ownership summary’ (n=36, 7.2%), and ‘financial/operating overview/reviews’ (n=41, 8.7%).

In the first category, *financial information*, the most frequently used investor relations features were ‘SEC Filings’ (n=452, 96.2% used, 24.2% in the category), ‘annual reports’ (n=445, 94.5% used, 23.9 % in the category), and ‘proxy statement’ (n=238, 50.4% used, 12.8 % in the category), while ‘sales report’ (n=13, 3.4% used, .7% in the category), ‘equity/debt’ (n=17, 3.4% used, .7% in the category) and ‘financial/operating overview/reviews’ (n=41, 8.7% used, 2.2% in the category) were the least commonly used features. In terms of *Stock Information*, the most frequently expressed elements were ‘stock quote’ (n=423, 89.6% used, 24.2% in the category), ‘stock visual graph and chart’ (n=402, 85.2% used, 23.0% in the category), and ‘historical price change’ (n=344, 72.9% used, 19.4% in the category), while the ‘stock split history’ (n=151, 32% used, 8.6% in the category) and ‘stock calculator’ (n=214, 45.3% used, 12.2% in the category) were expressed with the least frequency.

In terms of *Other Financial Related Features*, ‘corporate governance’ (n=438, 92.8% used, 12.1% in the category) was the most commonly employed element, followed by ‘Webcast’ (n=398, 84.3% used, 11.0% in the category), ‘news release’ (n=389, 82.4%, 10.8% in the category), and ‘email news alert’ (n=384, 81.4% used, 10.6% in the category), while ‘proxy voting’ (n=33, 7% used, .9% in the category) was used least

frequently. Other low frequency site elements include 'investor relations search engine' (n=35, 7.4% used, 1.0% in the category) and 'ownership summary' (n=36, 7.6% used, 1.0% in the category).

Status of Developmental Stage

Research question 3— *Currently, in which development stage are the Web sites of the largest U.S. companies? and Do different types of industries display varied progress through the development stages?*—was aimed at determining the status of U.S. companies' Web sites in terms of the developmental stages. The second stage of Web site development involves using the corporate Web site as a tool to communicate financial information and provide access to conventional documents online. Of the 472 Web sites reviewed, 468 (99.1%) demonstrated at least one component that utilized this new communication channel to distribute traditionally paper-based documents. Additionally, this study analyzed the frequency with which each industry used corporate Web sites as communication channels to distribute traditionally paper-based information. Findings indicate that there was no difference between industries at this stage. Almost all companies of the various industry types provided online versions of traditionally paper-based documents to their financial publics. The breakdown by industry type is as follows: energy (n=32, 96.9%), materials (n=49, 100.0%), industrials (n=71, 97.3%), consumer discretionary (n=108, 100.0%), consumer staples (n=37, 97.4%), health care (n=32, 100.0%), financials (n=81, 100.0%), telecommunication service (n=5, 100.0%), utilities (n=26, 100.0%), and information technology (n=26, 96.3%).

Hedlin (1999) indicated that stage 3 is the last developmental stage, which involves a company taking full advantage of the unique features of Web site technology, such as the interactive nature of the medium. Among the 472 Web sites analyzed, 456 (96.6%) exhibited at least one interactive element related to investor relations, revealing that a majority of the largest U.S. companies are taking full advantage of the opportunities this new medium provides.

More than 90% of the companies across the industries provided at least one interactive feature for their financial publics on the Web sites. The following indicates the breakdown by industry type: energy (n=31, 93.9%), materials (n=47, 95.9%), industrials (n=73, 100%), consumer discretionary (n=106, 98.1%), consumer staples (n=36, 94.7%), health care (n=32, 100%), financials (n=75, 92.6%), telecommunication services (n=5, 100%), utilities (n=26, 100.0%), and information technology (n=25, 92.6%).

Investor Relations Features Across Industry

The last research question considered whether or not different types of industries displayed different features of investor relations on the Web sites. Comparing investor relations features across industry types in terms of three categories, this study assigned a score for each investor relations feature on a scale of zero to three, with zero indicating nonexistence, one meaning that the feature represented a recycled version of an offline paper document, and three representing an interactive feature of the new

technology. The scores received by each Web site in these three categories—accounting information, stock information, and other financial information⁷—were combined to extract a total *investor relations score*. A maximum score of 12 was possible for both the ‘accounting information’ and ‘stock information’ categories, while ‘other financial information’ had a potential 24 points, resulting in a total of 48 possible points for the *investor relations score*. Analysis of variance (ANOVA) test was utilized to examine the impact of the three categories of investor relations features on Web site development and the *investor relations scores* across the industry categories. Ultimately, none of the categories was found to be significant in terms of investor relations features.

Post Hoc Analysis

As a post hoc analysis, the correlation analysis was conducted among the three category categories and the *investor relations score* with company revenue and profits. The analysis indicated that the *investor relations score* and stock information score are positively correlated with companies’ revenues ($r=.13$ and $r=.18$, $p<.001$, respectively), implying that the Web sites of companies with higher revenues exhibit more features of investor relations overall and provide more stock information. Conversely, Web sites of lower revenue companies tend to display fewer of these features and share less financial information. The correlation analysis between the four scores and company profits revealed that the financial information score, stock information score, and *investor relations score* ($r=.10$, $r=.11$, and $r=.10$ $p<.05$, respectively) were positively associated with profits, implying that the Web sites of companies with greater profits provide more financial information, stock information and overall features of investor relations, whereas the Web sites of their losing counterparts provide fewer investor relations features.

DISCUSSION & CONCLUSION

This study was designed to examine the current status of corporate Web site usage for investor relations and to assess prevalent features of investor relations activities through an analysis of the Web sites of the largest companies in the U.S. While Web sites have emerged as important communication channels for implementing investor relations strategies, few previous studies have considered how the largest companies in the U.S. strategically communicate with their financial publics, how different types of industry utilize Web sites for investor relations functions, and at which stage of Web site development of investor relations the largest U.S. companies currently are. In this sense, this study is meaningful for understanding the current status in terms of the developmental stages of investor relations functions represented by these companies’ Web sites. Furthermore, this study offers insight into how companies should proceed in developing and improving their Web sites for their financial publics.

Of the 500 companies analyzed in this study, more than 90 percent exhibited some contents for investor relations on their Web sites. This finding indicates that *Fortune*

⁷ The points possible for each item is indicated in the third column of Table 2.

500 companies are well on their way to establishing Web sites that highlight investor relations strategies, and most companies have also started to utilize their Web sites to communicate with financial publics. Compared with their foreign counterparts, these U.S. companies are a step ahead of the game in employing Web sites for investor relations, as suggested by Deller, Stubenrath, and Weber (1999). For example, Gowthorpe (2004) indicated that less than 50 percent of small companies in the UK used the Internet for investor relations. Another study also revealed that less than half of Spanish companies provided financial or accounting information on their Web sites. Considering that the U.S. represents the leading financial market in the world, it is no surprise that the largest companies in this leading market have blazed the trail toward greater use of technology, specifically the Web site format, to distribute financial information to their financial publics.

The most frequently used investor relations features among the Web sites reviewed were 'SEC filings,' 'annual report,' and 'corporate governance.' These features were found in majority of the Web sites reviewed. The SEC filings are documents that the Regulation FD requires companies to disclose. It is therefore logical that these required documents or some combination of the information they present provides a basic core of financial information present in corporate Web sites. Previous research indicates that financial reports are commonly presented on corporate Web sites (Hedlin, 1999). While most of SEC documents are prepared by accountants and/or attorneys because they are legal documents, public relations practitioners prepare other financial documents. This finding indicates that it is a major responsibility of public relations practitioners to manage financial reports for corporate Web sites. However, sales data and equity/debt information were available in only a small portion of the Web sites reviewed, likely because such information is sensitive and highly influential for current and potential investors, potentially leading to direct effects on a company's stock price.

In the *Stock Information* category, 'stock quote' and 'stock visual graph and chart' information was made available by the majority of corporate Web sites analyzed in this study, while 'stock split history' and 'stock calculator' were presented in less than half of the Web sites reviewed. As in other studies (Ettredge, Richardson, and Scholz, 2001), stock data was commonly found in corporate Web sites in this study. As several public relations specialists have suggested, Internet users want and expect to find stock information on corporate Web sites (Witner, 2000; Middleberg, 2001; Haig, 2000). Stock performance can consistently mirror the rise and fall of corporate image and reputation (Farragher et al., 1994). While companies in the U.S. are utilizing the opportunity to provide stock-related information on their Web sites, more companies should provide historical information about stock price changes, such as daily, weekly, and/or monthly fluctuations, on their Web sites. Although Internet users can obtain such information from other stock information sites, providing stock history directly on a corporate Web site would not only be more convenient for investors, but it would also lend greater credibility to the company.

In the *Other Financial Related Features* category, 'corporate governance,' 'Webcast,' and 'new release' were ubiquitous in corporate Web sites, while 'proxy voting' and

'investor relations search engine' were the least prevalent items presented by the Web sites. Companies provided more information about corporate governance in a transparent manner in an effort to boost perceptions of their leadership credibility among financial publics, which can in turn positively affect the company's bottom line. A previous study (Deller, Stubenrath, and Weber, 1999) found that Webcasts, including audio or video presentations of annual meetings or analyst conferences, were not popular on corporate Web sites. Also, only a few U.S. companies provided recordings of corporate presentations, annual meetings, or analyst conferences on their sites. However, because scholars have since urged companies to provide such access, Webcasts currently seem to be more prevalent on corporate Web sites. Apparently, the use of interactive feature of the Internet such as Webcast has continuously increased. For example, 75 percent of companies surveyed by NIRI in 2003 said that their companies offered historical stock price information (Newsome and Haynes, 2005). The findings of this study showed that about 85 percent of the top U.S. companies utilize this feature of the new technology. Like corporate Web sites in other countries, including Germany and UK ((Deller, Stubenrath, and Weber, 1999) and Swedish (Hedlin, 1999), news releases were determined to be a common investor relations feature of U.S. corporate Web sites. However, a handful of interactive features that Web sites can provide, including 'proxy voting' and 'investor relations search engine,' are not commonly utilized. Providing a proxy voting option could offer greater opportunities for stockholders to participate in the voting.

In terms of the developmental stage, the majority of companies had already entered the second stage of Web site development, which involves recycling traditionally paper-based documents, and moved into the last stage of development, represented by a company taking full advantage of the interactive features of new technology made available through the Web site format. An earlier study found that corporate Web sites in Swedish companies primarily used recycled forms of paper-based information (Hedlin, 1999). The largest companies in U.S., however, are taking greater advantage of this new communication conduit, reflecting the leadership role that the U.S. plays in the world financial market.

This study compared investor relations features across industries in terms of the three established categories and the three developmental stages suggested by Hedlin (1999). This study found that companies that engage in investor relations activities through their Web sites do not differ in terms of industry type. In the U.S., providing financial information on corporate Web sites seems to be a standard feature of investor relations strategy across the various industry types. This study's findings are similar to those of Craven and Marston's (1999) study, which also did not find any significant relationship between industry type and financial disclosures made on corporate Web sites.

As a byproduct, this study found that a company's *investor relations score* and stock information is positively associated with the company's revenue, though the magnitude of the impact was small for both. This finding indicates that Web sites of companies with more revenue demonstrate more features of investor relations overall and also provide more stock information. Several previous studies have found a positive

relationship between company revenue or size and the features or the degree of the financial disclosure on the Internet (e.g., Crave and Marston, 1999; Hedlin, 1999; Lang and Lundholm, 1993). Like these previous studies, the current study confirmed this positive relationship. While this study was unable to determine the cause and effect of these two relationships, it is assumed that larger companies are more advanced in their use of new technologies as tool for communicating with their financial publics and providing richer and more sophisticated information.

From another post hoc analysis, the financial information score, stock information score, and *investor relations score* were determined to be positively correlated with profits, though the magnitude of the effect was small. This finding indicates making such information available on corporate Web sites can positively affect companies' profits.

Limitations and Future Research Agendas

Although this study is meaningful in several ways, there are some limitations that should be considered to guide future research. First, this study examined corporate Web sites over a short period of time, making it difficult to determine changes in investor relations activities over time. Future research should therefore study how this new communication technology influences investor relations activities over time. Second, this study could not determine the degree of accuracy of the information posted on the Web sites analyzed. In this world of new technology, inaccurate information can be easily posted and dispersed. Providing accurate information to financial publics to help them make educated decisions regarding their financial capital allocation is a key role of an investor relations practitioner. Therefore, future research should evaluate the accuracy of the information made available on corporate Web sites.

While there has been some suggestion that investor relations should be incorporated into public relations, investor relations has not yet been given much attention in this field. Hopefully, this study will draw greater attention to this area and inspire future research.

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Appendix

Table 2. Features of Investor Relations on the Reviewed Companies Web sites.

Category	Feature	Points	N	%^b
Accounting information	earning reports/performance report	1	126	6.8
	annual reports	1	445	23.9
	SEC Filing	1	452	24.2
	proxy statement	1	238	12.8
	financial/operating overview/reviews	1	41	2.2
	quarterly/periodical report	1	154	8.3
	financial fundamentals	1	71	3.9
	income statement	1	73	3.9
	balance sheet	1	65	3.5
	earning estimates	1	102	5.5
	statement of cash flows	1	67	3.6
	sales report	1	13	.7
	equity/debt	1	17	.7
		Total	12	1864
Stock Information	stock quote	1	423	24.2
	visual graph and chart	1	402	23.0
	historical price changes	3	344	19.7
	dividend history	1	215	12.3
	calculator	3	214	12.2
	stock split history	3	151	8.6
		Total	12	1749
Other Financial Information	request for printed publication	3	344	9.5
	proxy voting	3	33	.9
	investor relations search engine	3	35	1.0
	ownership summary	1	36	1.0
	investor fact book	1	53	1.5
	corporate governance	1	438	12.1
	Webcast	3	398	11.0
	event calendar	1	300	8.3
	news release (or press release)	1	389	10.8
	analysts coverage	1	263	7.3
	investor relations FAQs	1	269	7.5
	email news alert	3	384	10.6
	transfer agent	1	348	9.6
	Contact information (IR department)	1	317	8.8
	Total	24	3607	100.0