

Twelve Tactics for Better Investor Conference Calls

For many publicly traded companies, the quarterly analyst conference call is an investor relations staple. For years, it's been a powerful way to connect management with investors and their advisors. It still is. But various developments – some of them recent – are impacting this important vehicle for disseminating financial information to a group of individuals who plays a critical role in the investment process. Unfortunately, many of today's executives lack conference call savvy, and continue to use the comfortable, but outdated and self-defeating, communication patterns they've grown accustomed to when talking to analysts.

Our firm, a pioneer in exploring the link between effective communication and professional success, has helped numerous clients to examine and improve their financial communications programs. What we've learned and what we teach can help you improve your analyst conference calls.

What has Changed?

Among the most significant changes affecting the conference call are the restrictions imposed on companies by Regulation FD (Fair Disclosure), a Securities and Exchange Commission rule that went into effect in October of last year. Enacted to ensure fair access to material information by all investors, the rule essentially prescribes what and how companies can communicate with Wall Street. Instead of providing potentially market-moving information in one-on-one interactions, public companies must now release it to everyone at once.

One result is that conference calls are more important than ever to analysts. Rather than viewing participation in these calls as optional, most analysts see them as their only opportunity to get the information needed to develop their earnings estimates.

At the same time, conference calls are getting longer, as analysts ask fewer strategic questions and pose more basic questions – the kind they used to reserve for private discussions. Frequently, analysts wait in long queues to ask questions, and sometimes management never even gets to all the questions.

This new-found popularity and longer length of conference calls means many analysts must sometimes participate in several calls per day – perhaps as many as six – a real challenge to their stamina, if not their concentration. To cope, analysts use a variety of strategies: They participate in the conference call while simultaneously fielding phone calls from clients and sales staff. They may disconnect from the call early (perhaps having one of their associates take over for them). Or they simply may be more selective about which calls to participate in.

Another change is that individual investors, who were typically left out in the past, are joining the calls or listening to a simultaneous or archived Web broadcast. Today, it's not unusual to have hundreds of listeners on the line – and many more accessing the call on the Web. And in the near future, the use of streaming video to communicate with analysts will be as common as the use of streaming audio is today.

Rules of the Road

If conference calls are part of your investor relations efforts, ask yourself whether you are generating the best possible return on your investment.

- 1. Know why you're holding the conference call.** Investors today have easy access to many global investment options – more public companies, mutual funds and financial instruments than ever before. The primary objective of any conference call is this: to convince analysts and investors that money invested in your company will appreciate faster and more substantially than money invested in competing options. Any conference call that fails to get your audience to listen to, hear, understand and act on what you say (i.e., learn something, change their view about something, *invest* in something) is a waste of time.
- 2. Have a key message.** Yes, the conference call provides you an opportunity to review the financials, discuss recent or upcoming developments, and answer questions, but you should have a specific message. State it clearly and repeatedly; don't expect your listeners to infer it. Ask yourself, "What do I want my audience to remember after the teleconference is over?"
- 3. Develop an "investible idea."** Before investors will purchase, or analysts will recommend, a particular stock, they ask this question, "What is it about this particular investment that will benefit me or my client? Here's an example: Today, more food is prepared outside the home than in the home. It's estimated that more than 20 billion take-out meals will be consumed in the United States this year, and each one requires packaging. Pactiv Corporation is an industry leader in sales of products such as hinged-lid containers and foam plates, and is supplying much of the increasing demand. That's an investible idea – one that will get investors and analysts to find out more about the company.
- 4. Express your investible idea in a few sentences.** A successful salesperson will tell you that when he gets a prospective customer on the phone, he must get the prospect's attention immediately or risk losing the sale. If someone asks you why you shop at Home Depot, you tell him why in a couple of sentences. The same is true about stocks. When coaching clients to communicate more effectively to potential investors, I frequently tell them this: Imagine you're on a plane, talking to the person sitting next to you. The plane is about to land when your seatmate asks about your firm as a potential investment opportunity. You have just a few brief minutes to succinctly make the case about why the stock is a good investment. What most business people are looking for is honest, easy-to-understand conversation, delivered clearly and concisely.
- 5. Don't ignore the individual investor.** Today, analysts are no longer the sole audience during a conference call. Increasing numbers of individuals are discovering their own investment ideas and making their own investment decisions. And many of them are turning to conference calls for guidance. These calls are a cost-effective and credible way of reaching individual investors, but reaching them requires a slightly different communications approach. When communicating to individual investors, the two most important things to remember are to eliminate or de-emphasize jargon, and to explain *how* you plan to achieve the results you're projecting.
- 6. Script your presentation.** Put your ideas down in writing so you stay on message. Hit the key points. Don't waste time on minutiae. Direct analysts to your press release or Web site for the details. (Encourage them to log on to your site during the call.) And don't read from a complete-sentence text. Reading word for word makes you seem less credible as an authority. Instead, use bulleted points so your delivery is conversational.

- 7. Make it interesting.** The average person speaks at a rate between 150-200 words per minute (WPM). But your listeners can hear at a rate of at least 600 WPM. That leaves a lot of time for their minds to wander – to find something more interesting to think about. Remember that a mere recitation of facts and figures is the kiss of death. People (even financial types) respond to stories, examples, illustrations, analogies. Even though the subject matter is complex, you are still talking to human beings – people who get bored, distracted and tired – even during serious presentations. Keep your presentation upbeat and fast-paced.
- 8. Practice.** Rehearse your presentation – three times, aloud, using a tape recorder. Remember, it's a performance, and most good performances don't succeed by accident. Determine whether any of the speakers involved in the conference call need presentations training. In recent years, much has been learned about what constitutes effective communication. Yet, many business people continue to use the communication patterns they adopted years ago – in high school, college or early on in their careers. If your company has a PR department or uses a PR firm (especially one with expertise in financial communications), ask for help in crafting and delivering a powerful, memorable presentation.
- 9. Anticipate questions.** Prior to every presidential news conference, the president's staff identifies most of the questions that will be asked. You can do likewise with the help of your colleagues. Ask, and practice answering, the questions you think will come up. Also, make a list of the questions you hope no one asks. Then answer them.
- 10. Give special attention to your delivery.** A spoken message has three components: verbal (the words you use to express your ideas), vocal (how you sound) and visual (what people see). In teleconferences, that last component is missing. Research by UCLA Professor Emeritus Albert Mehrabian shows that your voice – the tone, volume, inflection – counts for as much as 84 percent of your emotional impact and believability when people can't see you, such as when you're talking on the phone. To increase your energy and project more authority and enthusiasm, try standing up while participating in the call. Remember, communication is selling . . . and successful selling is the transfer of energy and enthusiasm from speaker to listener. (Have you ever known a successful salesperson who was not enthusiastic?)
- 11. Tape the conference call.** You're already doing this if you're making it available on your Web site or through a Webcasting service. (Archiving the Webcast along with all supporting documentation is highly advisable because it's very difficult for someone to misinterpret a message that can be accessed and reviewed 24 hours a day.) Listen to it and critique your performance.
- 12. Solicit feedback from the analysts.** One of the best ways to ensure that your conference calls are hitting the mark is to ask several of the analysts a few questions of your own: Did the conference meet your expectations? What was the most important piece of information you obtained from the call? How can future conferences be improved? A day or two after the conference, have your IR or PR professional call a few analysts and get some feedback. The information you'll obtain will be anecdotal, but it can be very valuable in ensuring that your key message was heard and understood, as well as in planning future conference calls.

