

USE OF THE INTERNET BY IRISH COMPANIES FOR INVESTOR RELATIONS PURPOSES

Niamh Brennan and Sorka Kelly ^*

BACKGROUND AND INTRODUCTION

This study investigates Irish company investor relations material on the Internet from two perspectives. Firstly, it looks at the extent Irish plc's provide Web sites for investor relations purposes. Secondly, it looks at Irish company investor relations materials, and the coverage of Irish plc's, on third-party Web sites. Third-party sites provide financial information and investor relations material aimed at private investors. These third party sites largely fall into two categories. The first includes Web sites that are hosted by investment brokers and stockbrokers. Investment brokers wish to attract private investors to their site in order to sell them financial products and services such as managed funds and asset management services. Stockbroking sites are aimed at existing and potential personal clients. They seek to sell stockbroking services to users of these sites. In order to attract customers to their sites, many provide investor relations services free of charge. They may or may not charge companies to display investor relations material on their sites. The second category are hosted by Web based "publishers" that attract visitors to their sites by providing financial information free of charge to users of investor relations material. These "publishers" generate revenue by charging companies to display investor relations material on their sites and / or by selling advertising space on these sites.

* Department of Accountancy, University College Dublin ^ Bank of Ireland

Address for correspondence: Prof. Niamh Brennan, Department of Accountancy, University College Dublin, Belfield, Dublin 4. Ph. +353-1-706 8398; Fax +353-1-706 1131; e-mail Niamh.Brennan@ucd.ie

Company investor relations

The function of investor relations is to provide information to help the financial community and investing public to evaluate companies (Marston 1996b). Corporate communication between plcs and investors comprises two elements, formal financial reporting and informal voluntary disclosure of corporate information. The formal element is required by law and includes publishing the annual report and hosting general meetings of shareholders. These companies however generally go further and engage in informal voluntary communication with shareholders (particularly institutional shareholders) and the financial community.

Companies are concerned with managing information flows in their best interest (Marston 1996a). The primary purpose of investor relations activities is to improve corporate financing capability and to defend against take-over threats (Holland 1997; Ryder and Register 1989, 16).

Company investor relations activities focus on three principal aims (Ryder and Register 1989, 3-16). Firstly, it is in a company's interest to attain and retain the highest share price. By keeping shareholders well informed and minimising investor's surprises – particularly negative ones (Lev 1992), companies aim to create confidence in their shares in the market.

Secondly, companies seek to create confidence in the capital market in order to keep the cost of loans and debt securities at a minimum. This is also done to ensure favourable terms of trade with large suppliers and customers. The detrimental effects of low capital market sentiments extend to the cost of debt and terms of trade with large suppliers and customers (Lev 1992).

Thirdly, company investor relations activities are likely to be focussed on influencing the composition of their shareholder base. Different investors have different requirements – some take a short term view while others seek growth over a longer period of time. A company needs to match its own finance needs with the investment requirements of its investors. (Lev 1992, Ryder and Register 1989, 7). A company might be interested in attracting large institutional ownership since this generally provides a ready market for new stock or bond issues. Others may seek to widen share ownership and increase the number of private investors or seek foreign shareholders.

Importance of investor relations to users

While the annual report is the core source of information, users of company information take reliable information from wherever it is available or accessible (Weetman and Beattie 1999). Users include individual investors, institutional investors – represented by fund managers and buy-side analysts, sell-side analysts, lenders, the financial media and, particularly in takeover and merger situations, government departments and EU bodies (Ryder and Regester 1989).

Meetings with management are the primary source of information and explanation after the annual report (Weetman and Beattie 1999). These meetings however are not accessible to smaller investors creating an inequity in access to information and understanding among investors. This could be addressed by exposing a wider audience to the substance of these meetings – possibly through the Internet.

Traditional methods used in investor relations

All listed companies are required by law to publish an annual report and hold annual and sometimes extraordinary general meetings of shareholders. Informal disclosure activities can be private or public. Private activities generally comprise mailing information to analysts and fund managers, answering telephone queries, providing feedback on analysts' reports and private company meetings (Marston 1996b). Public disclosure activities comprise printing and distributing information and issuing information through press releases and press interviews. Other suggested ways of meeting the needs of smaller private investors include the provision of a shareholder helpline, a periodic magazine, recorded information on a telephone line or the use of teletext with up to the minute information. The provision of a CD-ROM based information facility has also been proposed (Weetman and Beattie 1999, 97). Finally the introduction and growth of the Internet in recent years provides an interesting alternative means for the voluntary dissemination of information.

Investor relations and the Internet

The number of Internet users has been rapidly growing. The total number of people estimated to be online worldwide in June 1999 is 179 million with 350 million expected by the year 2005 (Nua 1999). The number of Irish adults with Internet access was estimated at 380,000 in June 1999 and was expected to reach 518,000 by the end of 1999. Nua (1999) predicts that 829,000 adults will be online in Ireland by 2001.

In terms of business usage a rapidly growing number of companies are using the Internet to communicate with their stakeholders. Almost 88% of Ireland's top 500 companies had an Internet connection in October 1998. This compared with 74% in March 1997. The number of these companies with Web sites increased from 42% to 61% in the same time period (Midas-Net Ireland 1998).

Companies can use the Internet to provide investor relations material in two different ways. One is by creating their own Web site and the second is by providing information on sites hosted by third-parties. Setting up a company Web site involves a fixed cost, which is driven by the complexity and volume of information provided on it. Similarly providing information on third-party sites involves fixed fees, which are paid to the site hosts. Distribution of the information involves no further cost, as it is independent of the number of users. This contrasts with traditional investor relations activities where distribution of information involves printing costs, delivery costs and the cost of personnel time in handling information enquiries. Other benefits for the company include reaching a wider audience, easier access to international investors and faster access to users.

The purpose of this study is to analyse investor relations material provided by Irish quoted companies on the Internet. It also examines investor relations material on Irish quoted companies provided on third-party sites. The study takes an individual investor's perspective and examines five aspects of the use of the Internet for investor relations purposes:

- Internet usage by Irish plcs
- Trend in Internet usage by Irish plcs from 1998 to 1999
- Use of the Internet by Irish plcs for investor relations purposes
- Investor relations services on third-party sites
- Coverage of Irish plcs on third-party sites

This research aims to expand the current body of knowledge in the fields of investor relations and the Internet in three unique ways. Firstly, the extent to which Irish plcs have Web sites is examined. This will advance the research carried out one year earlier by Brennan and Hourigan (2000) who found that 37% of Irish plcs had their own Web site.

The second is to look at investor relations activity on the Internet in an Irish context. While research in this area been carried out in the US, UK and Germany, no data exists on its use for investor relations

purposes by Irish companies. This study will also be more extensive than the research carried out on the US/UK/German companies.

Finally this paper looks for the first time at investor relations services on third-party sites.

LITERATURE REVIEW

Prior research in investor relations and on the Internet is examined, which heretofore have been researched separately. Only two studies have examined these two areas together: one covering US, German and UK companies (Deller, Stubenrath and Weber 1999) and the second on US companies (Ettredge, Richardson and Scholz 2000).

Investor relations studies

Prior research has examined a number of the organisational aspects of investor relations activities in UK companies. Marston (1996a) looked at investor relations activities in 61% of the top 500 UK quoted companies and established that directors spend an average of 37 days a year on investor relations, with the chief executive and the finance director most heavily involved. There were 52% of companies with designated investor relations officers. An external investor relations consultant was used by 79% of companies.

Marston (1996b) looked at the importance companies attached to a range of activities they engaged in when communicating with analysts or fund managers. Companies saw small meetings with an individual or small group from one organisation as the most valuable, followed by answering telephone queries and then general meetings for delegates from different organisations.

Record keeping of meetings by companies was also examined by Marston (1996b). She suggests that companies should ensure that accurate records of all discussions are kept during meetings with analysts. She recommends that companies should consider keeping detailed records of all meetings and then making these records public. An interesting suggestion from the point of view of this study was that these minutes also be placed on the company's Internet home page in order to achieve wider access for individual shareholders.

Marston (1996b) looked at the relative importance of topics discussed at meetings with fund managers and analysts. When examining the topics dealt with by the investor relation function within a firm, Holland (1997) found that the main corporate message as revealed in the annual report formed the basis of all corporate communications.

This information was then tailored according to the purpose of the meeting and the circumstances facing the company.

Internet studies

Prior research suggests a growing level of Internet usage by companies for corporate communication purposes. Lymer and Tallberg (1997) surveyed 72 listed companies in Finland and established that 65 (90%) had corporate Web sites. Deller et al. (1999) found that 95% of the Standard and Poor (S&P) 100 corporations in the US, 85% of the DAX 100 companies in Germany and 72% of the FTSE 100 companies in the UK had Web sites. Research on Irish plcs shows that their presence on the Web compares poorly with those of other countries. Arthur Andersen (2000) surveyed the annual reports of 100 listed companies. The sample was taken one-third respectively from the (i) top 350, (ii) the next 700 and (iii) ranking from 1051 upwards by market capitalisation in the UK. Overall, 76% of the sample had websites. Brennan and Hourigan (2000) found that 37% of companies listed on the Irish Stock Exchange had a Web site. The lower proportion of Irish companies with Web sites compared with their corporate counterparts in the US, the UK, Germany and Finland may, in part, be due to differences in sample composition. The top 100 listed companies in the UK/US are likely to be considerably larger, on average, than the Irish listed companies.

Deller et al. (1999) found that more US companies (91%) used the Internet for investor relations activities than UK (69%) and German corporations (71%). Furthermore it found that over 90% of US corporations used the Internet for financial reporting, while only two thirds of German company Web sites featured accounting information. The UK results lay in between. Company Annual Reports on Line (CAROL) (1999) found that 67% of the top European companies had financial reports on the Web and 80% of these provided other financial information in addition to annual reports. In the Arthur Andersen (2000) study, 71% of web sites disclosed financial information. Only 69% of Irish company Web sites disclosed financial information (Brennan and Hourigan, 2000).

A study by Taylor (1999a) of 100 Web sites of some of the top international public companies established that very little information was standard on the sites. Of 180 possible types of information or activities used to evaluate sites only six were present in more than 50% of the companies in the sample.

Ettredge et al. (2000) studied 203 US hi-tech companies listed on the S&P's Compustat PC Plus data base. The study examined whether investor relations material provided by company Web sites varied by:

- 1) Level of individual ("retail") ownership;
- 2) Level of analyst following; and
- 3) Company size.

Companies with greater analyst following provided objective financial data more suited to sophisticated users, including current share price, information on the firm's stock transfer agent, information about the company's dividend reinvestment plan and links to analysts' reports and to analysts following the company. In contrast, companies with high levels of retail ownership were more likely to feature less extensive, more subjective data adapted for users with relatively low levels of financial information expertise. These included discussions of advantages of holding the company's shares and directors' or investor relations officer's speeches.

Taylor (1999a) reported that investors ranked Web sites as 19th out of 23 possible sources of information for investment decision making. The reasons given were that Web sites had very little useful content and were too difficult to navigate. In 1999, the Internet moved up to being 13th out of a possible 26 sources (Taylor 1999b).

The US Financial Accounting Standards Board (2000) surveyed the Fortune 100 companies and assessed over 300 attributes of business reporting on the Internet. Attributes were divided between (1) general web site attributes and (2) attributes related to investor relations and financial and business reporting. Only one of the 100 companies did not have a web site.

RESEARCH QUESTIONS AND RESEARCH METHODOLOGY

Research questions

This research examines the use of the Internet by Irish companies for investor relations purposes from five different perspectives. The first part of the study examines company web sites – for the presence of a web site and for the purposes of a content analysis of investor relations material on the web site. Three issues are considered:

- 1) Internet usage by Irish plcs
- 2) Trend in Internet usage by Irish plcs from 1998 to 1999
- 3) Use of the Internet by Irish plcs for investor relations purposes

Third-party sites provide information on companies listed on stock exchanges all over the world. No prior research has been done on these types of sites. The second part of the research looks at these types of sites from the perspective of an investor in Irish companies and examines the coverage of Irish plcs by third-party sites. Two issues are considered:

- 4) Investor relations services provided free of charge on third-party sites
- 5) Coverage of Irish plcs available free of charge on third-party sites

Research Methodology

Population and sample

The population comprises all 99 public companies listed on the Irish Stock Exchange as recorded on the daily official list on the 12th July 1999 on the Irish Stock Exchange Web site (www.ise.ie). A full list of the companies, and of the websites found, can be obtained on request from the authors.

A non-random sample of ten third-party sites was used in this study. Originally an attempt was made to gather a random sample. This was done by typing a series of "keywords" into the Web search tool Yahoo (www.yahoo.com), a popular search engine. The "keywords" used were as follows: +Investor +company +information +service +UK +Ireland. A number of other attempts were made using different keywords and other search engines including Excite (www.excite.com) and Alta Vista (www.altavista.com). These were similarly unsuccessful. As a result it was decided instead to use a non random sample of third-party Web sites in this survey. Third-party sites are drawn from three distinct sources: (i) Investment broker Web sites (ii) Stockbroker Web sites and (iii) other third-party sites providing information on Irish plcs.

Data sources - Company Web sites

The first step in carrying out the study was to find the Web site addresses of the sample companies. Brennan and Hourigan (2000) sup-

plied 35 Web site addresses. Further addresses were established by searching for company Web sites on the Internet. The Web browser Netscape Navigator Gold 3 was used to access the Internet and WWW. In the first stage of this process Web site addresses were established intuitively by attaching the suffix of “.com”, “.ie”, or “.co.uk” to the company name or an abbreviation of its name. These addresses were then visited to determine whether they actually existed or not. All Web site addresses found using this method were then examined to confirm that they were the address of the company being checked. Where this approach proved unsuccessful a second search was carried out using the Web search tool Dogpile (www.dogpile.com). This is a meta search engine covering the most popular search engines (e.g. Yahoo, Alta Vista etc.). The company name was typed in to the search engine and the address of any company Web site located was recorded.

Where the Internet searches did not identify the company's Web site, that company was then contacted by e-mail or telephone to find out the company's Web site address or verify that no company site existed.

Data sources – Third-party Web sites

The ten Web site addresses used in the study of third-party sites, were sourced using various means. Irish stockbroker Web sites were found by contacting the stockbrokers by telephone to find out their Web site addresses. Others were gathered by word of mouth and by recording the addresses of any third-party sites that were linked to Irish company Web sites. Names of the ten third party companies in the sample are shown in Table 13.

Content analysis - company Web sites

Presence of investor relations material

This involved examining the sites for any information aimed at the financial community or the investing public. These were identified by the presence of an annual report or other financial results. Those with product, service or company information aimed exclusively at other users such as customers or potential employees were eliminated.

Type of investor relations material present:

Those corporate Web sites that were found to be used for investor relations purposes were then subject to further in-depth content analysis to establish the type of investor relations material present on the site. The type of investor relations material on Web sites was examined according to the following 11 categories:

1. Background data on industry, company, employees and directors
2. Financial information - annual report, interim report, preliminary results, quarterly statements and Form 20F
3. Current share price - (a) on site or (b) through link to another site
4. Background shareholder information - including market capitalisation, number of shares in issue and number of shareholders, details of large shareholders, book value of company, historic share prices, previous year's earnings and previous year's dividends
5. Ratios - Investment ratios include price / earnings (P/E) ratios and earnings per share (EPS). Other ratios include return on assets (ROA), return on equity (ROE) and gearing ratios.
6. Frequently asked questions (FAQs)
7. Press releases and PowerPoint/video presentations
8. Contact details for investor enquiries
9. Financial calendar and on-line investor information order service
10. List of analysts and broker/analyst reports
11. New investor relations activities - option to download financial information in spreadsheet format, to participate on-line in company annual general meetings, press and analyst conferences or to take part in Internet chat sessions or question and answer sessions with the investor relations department or financial director.

While certain information / data such as director biographies, background shareholder information and performance ratios may be included in annual reports, this survey did not examine the contents of annual reports on Web sites. The information / data was only included in the survey results when it was presented on a separate page from

the annual report on the Web site. Only the contents of financial highlights or summaries, press releases or shareholder information sections were examined to locate this information.

Content analysis – Third-party Web sites

Investor relations material on third-party Web sites was analysed in a similar manner to analysis of company web sites.

RESULTS

The results presented in this section deal with each of the five research questions set out earlier.

Presence of Web sites

Table 1 shows that 66 (67%) companies had a Web site. Of the 33 (33%) companies without a Web site, ten were either oil or mineral exploration companies. During the period of this research, at least one third of companies without a Web site were found to be in the process of Web site construction.

TABLE 1: INTERNET USAGE BY IRISH LISTED COMPANIES

	Number	%
Web sites	66	67
No Web sites	33	33
Sample	99	100

Trend in usage

These findings show an 81% increase in the percentage of Irish plcs with Web sites since July 1998, when a similar survey conducted by Brennan and Hourigan (2000) found that 37% of a sample of 97 listed Irish companies had a Web site.

Use for investor relations purposes

Table 2 looks at the presence of investor relations material on company Web sites. Sites that contained investor relations material relating to the financial position or performance of the company (e.g presence of an annual report or other financial results), and aimed at the financial community or the investing public, were included in this category. Sites with product, service or company information aimed

exclusively at other users such as customers or potential employees were deemed not to include investor relations material.

The sample was reduced by three sites due to difficulty in accessing these sites. The Kingspan site was being updated and did not display any information at the time of the study. The Ryan Hotels and Waterford Wedgwood sites could not be accessed as they contained software that was not compatible with the Netscape Navigator Gold 3 Web browser used in the research. A more advanced version of the Netscape Navigator Web browser was required to properly view these sites.

Results show that 53 (84%) sites surveyed contained investor relations material while ten (16%) did not contain any information aimed at users of investor relations material. Of those sites that did not contain investor relations material, two were staff recruitment agencies aimed at job seekers and two were real estate agents.

TABLE 2: PRESENCE OF INVESTOR RELATIONS MATERIAL

	Number	%
Number of Web sites	66	100
Web sites not accessible	(3)	(5)
Sample	<u>63</u>	<u>95</u>
Investor relations material present	53	84
No investor relations material	<u>10</u>	<u>16</u>
	<u>63</u>	<u>100</u>

Background data

Only the 53 sites found to contain some form of investor relations material were subjected to further content analysis. Table 3 shows the number of Web sites that feature background data. The highest-ranking item in this section was company background with 51 (96%) sites featuring a description or profile of the company. The number of company employees was listed on 17 (32%) sites and directors' biographies featured (separately on web sites (as stated earlier), not part of annual reports) on 16 (30%) sites. Only six (11%) sites gave any information on the industry in which the company operates.

TABLE 3: PRESENCE OF BACKGROUND DATA ON INDUSTRY, COMPANY AND DIRECTORS

	Number	%
Web sites with investor relations material	<u>53</u>	<u>100</u>
Industry overview	6	11
Company background	51	96
Number of employees	17	32
Directors' biographies	16	30

Financial data

Table 4 looks at financial information on company Web sites. The most commonly found financial information was the financial statements, which were present on 38 (72%) sites. Financial highlights were found on 37 (70%) sites. Quarterly results were only found in companies listed on US exchanges. The least likely financial information to feature on Irish company Web sites was the Form 20-F (applicable only to US listed companies), which appeared on 5 (9%) sites.

The financial highlights or summary, the preliminary, interim and quarterly results were often difficult to locate on company Web sites and were frequently found in the press release or news sections. The Smurfit site, for example, only features annual reports and the Form 20-F on its "Annual Reports" page. The preliminary results, the interim statement and all quarterly results are located in the press release section.

TABLE 4: FINANCIAL INFORMATION ON WEB SITES

	Number	%
Web sites with investor relations material	<u>53</u>	<u>100</u>
Annual report - summary or highlights	37	70
- full statements	38	72
Preliminary results	22	42
Interim results	28	53
Quarterly results	7	13
Form 20-F	5	9

Share prices

Table 5 shows that overall, 21 (40%) Web sites featured current share prices. The share price was featured in two ways: 7 (13%) sites provided the current share price on the company site, while 14 (26%) sites provided one or more links to a third-party site featuring current share prices. The third-party sites used by Irish plcs included NASDAQ and EASDAQ (for companies quoted on these exchanges) as well as other third-party sites such as *Yahoo! Finance*, the Irish stock-broking firms - *Goodbody Stockbrokers* and *NCB*, the *Financial Times* and *CBS Marketwatch*. Some companies quoted on more than one exchange featured their current share price on each of the exchanges (e.g. Esat Telecom - provides current share price links to both the NASDAQ and EASDAQ exchanges). Time delays ranged from the previous day's closing price to a minimum of 15 minutes delay. The Web site of Tesco plc did not feature the current share price, but provided details of a premium rate telephone line, which provided the current share price at a cost of 50p/minute.

TABLE 5: CURRENT SHARE PRICE ON WEB SITES

	Number	%
Web sites with investor relations material	<u>53</u>	<u>100</u>
Current share price featured		
- on site	7	13
- through link to another site	14	26

4.3.4 Background shareholder data

Table 6 looks at the background information on company shares and shareholders exhibited on company Web sites. The sample was further reduced by one site. This was due to difficulty in accessing all pages on the Diageo site. In order to view some parts of the Diageo site “Shockwave Flash” software was required which was not available when carrying out the study.

The most commonly featured information was the previous year’s dividend, which was on 26 (50%) sites and the previous year’s earnings on 17 (33%) sites. A quarter of the sites (25%) featured details of large shareholders. This ranged from providing:

- Names and percentage shareholdings of the largest shareholders (e.g. Arcon which lists the names and shareholdings of the top five shareholders owning between them 62.6% of the company’s equity), to
- An analysis of shareholdings (e.g. Bank of Ireland which lists the value and % of total stock held in total by the top 81 shareholders. It also indicates the minimum number of shares held by each of these shareholders).

The lowest ranking category in this section was market capitalisation, which was found on six (12%) sites. The reason for the low incidence is probably due difficulties in calculating market capitalisation as it depends on the current share price. In order to ensure that the market capitalisation displayed is accurate, company sites need to be updated each time share prices change, manually or by, for example, linking to the current share price electronically.

TABLE 6: BACKGROUND INFORMATION ON SHARES AND SHAREHOLDERS

	Number	%
Web sites with investor relations material	53	100
Web site not accessible	(1)	(2)
	<u>52</u>	<u>98</u>
Market capitalisation	6	12
Number of shares in issue	11	21
Number of shareholders	11	21
Details of large shareholders	13	25
Company book value	16	31
Historic share prices	14	27
Previous year's earnings	17	33
Previous year's dividend	26	50

Ratios

Table 7 looks at the presence of ratios on company Web sites for use by investors in analysing the performance of the company. Results show that the most common ratio given was EPS which was on 29 (55%) sites. The least common was the P/E ratio, which only appeared on four (8%) sites. As for market capitalisation, P/E ratio depends on the current share price and the site would need to be updated manually or electronically for P/E ratios to be accurate.

TABLE 7: RATIOS

	Number	%
Web sites with investor relations material	53	100
Price/Earnings ratio (P/E Ratio)	4	8
Earnings Per Share (EPS)	29	55
Return on Assets (ROA)	8	15
Return on Earnings (ROE)	6	11
Gearing ratio	14	26

FAQs

TABLE 8: FREQUENTLY ASKED QUESTIONS (FAQS)

	Number	%
Web sites with investor relations material	53	100
Web sites with a list of Frequently Asked Questions	3	6
Topics addressed	Number	
Legal name of the company	1	
Address of company headquarters	1	
Where the company operates	1	
Company's vision statement	1	
Different trading names used by the company	1	
Does the company own shares in a Polish bank?	1	
Number of employees	1	
Structure of the company	1	
History of the company	1	
Where does the company make its profits?	1	
Eligibility for free shares (following de-mutualisation)	1	
Transfer of shares to occupational pension scheme	1	
How do I sell my shares?	1	
How do I sell my shares in the single company personal equity plan?	1	
Shareholder change of address	1	
Shareholders' enquiries - who to contact	1	
Company turnover and profits for previous year	1	
Company turnover and profits for previous five years	1	
Division of profits between shareholders and new investment	1	
Company's capital expenditure - previous year, current and future plans	1	
Number of shareholders	1	
Employee share ownership schemes	1	
Average shareholding	1	
Change in share price in recent years	1	
Company market share	1	

Table 8 shows that three (6%) Web sites (Allied Irish Bank, Norwich Union and Tesco) featured a page of FAQs. A list of the questions found is also presented, together with the number of times they featured. Interestingly, no questions were found to be common to all three sites.

Press releases and presentations

Table 9 shows that 45 (85%) sites included press releases. This was the second-highest ranking category (after company background) of investor relations material present on company Web sites. The content of the press releases often included financial information such as financial highlights or summary, preliminary, interim and quarterly results. While most Web sites included all press releases on the same Web page, a small number (e.g. Iona Technologies) provided a separate section with just financial press releases.

There was no indication whether press releases were included on Web sites at the same time they were issued by companies. In the US some firms have been sued for selective disclosure by publishing news first on the WWW (National Investor Relations Institute, 1998, p. 59). In order to avoid such accusations, Irish companies should ensure that any financial information should be disclosed through more traditional channels, before or at the same time it is disclosed on Web sites.

Table 9 also shows the number of sites that feature PowerPoint and video presentations. Six (11%) sites had PowerPoint presentations. These were difficult to view as they were frequently slow to download.

In order to access and view animated or video presentations on Web sites specialised software such as "Shockwave Flash" is required. This software was not compatible with the Netscape Navigator Gold 3 Web browser used for the study. However, if Web sites contain video images viewers are offered two browsing options: the Flash or non-Flash version. As the video presentations could not be viewed when this survey was taking place, it was not possible to measure directly the number of company Web sites that featured video presentations. Instead this figure was extrapolated from the number of sites that offered the option of browsing a Flash version of the site.

A total of 5 (9%) sites offered the viewers the option of browsing a Flash version of the Web site. An example of the type of presentation offered by these sites include a tour of the mine by Arcon.

TABLE 9: PRESS RELEASES AND POWERPOINT /VIDEO PRESENTATIONS

	Number	%
Web sites with investor relations material	<u>53</u>	<u>100</u>
Press releases on Web sites	45	85
PowerPoint presentations	6	11
Video presentations	5	9

Investor relations contact details

Table 10 shows the number of sites that supplied contact details for the investor relations department or financial director. Sites that provided this information were further examined to see how these details were presented. Contact details were provided on the site in two ways:

1. The names and addresses (more old fashioned method of contact) and / or e-mail addresses of the investor relations department or financial director were listed on the Web site
2. A direct e-mail link to the investor relations department or financial director supplied from the Web site

Overall 23 (43%) sites supplied contact details for the investor relations department or financial director. Of these, 20 (38%) provided the names and addresses and /or e-mail addresses, while 19 (36%) supplied a direct e-mail link to the relevant department. Most of the sites that did not supply contact details provided an e-mail link to the company for general enquiries.

TABLE 10: PRESENCE OF CONTACT DETAILS FOR INVESTOR ENQUIRIES

	Number	%
Web sites with investor relations material	53	100
Presence of contact details for investor enquiries	23	43
Name and address supplied	20	38
Direct e-mail link supplied	19	36

On-line investor services

Table 11 lists the presence of a financial calendar and on-line investor information order service on company Web sites. Results show that 12 (23%) sites provided a financial calendar, while 19 (36%) sites had on-line investor information services – mainly to facilitate visitors to the site ordering a printed hardcopy of the annual report (e.g. CRH).

Table 11 also shows that seven (13%) company Web sites provided a list of analysts that follow the company. Elan, for example, lists the names of 20 analysts, the firms they work with and their contact telephone numbers. Four from this list are based in Ireland, while the remaining 16 work with US firms. The table also shows that six (11%) sites featured the analysts' reports on the company. Arcon, for example, had a page listing five brokers that issued research reports on the company. These reports are available on the Web site.

TABLE 11: PRESENCE OF FINANCIAL CALENDAR AND ON-LINE INVESTOR INFORMATION ORDER SERVICE

	Number	%
Number of Web sites	53	100
Financial calendar	12	23
On-line investor information order service	19	36
List of analysts	7	13
Broker/analyst reports	6	11

Investor relations material on third-party sites

The results of the second part of this study, carried out on third-party sites, are presented below. Table 12 shows the type of investor relations services provided free of charge to users on third-party sites.

Wright Investor Services and *Hemmington Scott* provided the greatest number of the investor relations services. Only one (10%) Web site, *Davy Stockbrokers*, provided no investor relations material (free of charge) while *Corporate Information* provided very few investor relations services. This site mainly provides direct links to a range of other sites, including those run by international stock exchanges, stockbrokers and newspapers.

Current share price was the most common investor relations information - provided on nine (90%) third-party sites. Of these, eight (80%) third-party sites featured prices on the site, and two (20%) through a link to another site. The second highest category of investor relations service provided was historic share prices which were found on six (60%) third-party sites.

While none of the third-party sites offers an overview on each industry, the *Corporate Information* site gives information on the Irish economy, including figures on population and gross domestic product. Half (50%) the sites provide background company information. Of the remaining half that do not offer this service, two do so through links to other sites.

TABLE 12: INVESTOR RELATIONS SERVICES PROVIDED ON THIRD-PARTY SITES

	Number	%
Third-party Web sites	<u>10</u>	<u>100</u>
Third-party Web sites offering investor relations information free of charge	9	90
Current share price :	9	90
- on site	8	80
- through link to another site	2	20
Historic share prices	6	60
Name and address of company	5	50
Company background	5	50
Broker forecast/advice	5	50
Annual report - order service	4	40
Ratios	4	40
Profit	4	40
Turnover	3	30
Market capitalisation	3	30
Listed exchanges	3	30
Financial calendar	3	30
Number of employees	2	20
Preliminary results	2	20
Interim report	2	20
Number of shares in issue	2	20
Details of shareholders	2	20
Press releases	2	20
Company Web site address	2	20
Direct link to company Web Site	2	20
Currency exchange calculator	2	20
Number of shareholders	1	10
Book value	1	10
Use of new methods	1	10
Industry overview	0	0
Directors' biographies	0	0
Quarterly reports	0	0
Form 20-F	0	0
Name and address supplied to contact IR dept	0	0
Direct e-mail link to IR dept	0	0
List of analysts	0	0

Five (50%) sites provided names and addresses of companies. Company web site addresses were less frequently featured, with only two (20%) third-party sites listing company Web sites and providing direct links to these Web sites. None of the third-party sites provided details of company investor relations departments.

The most commonly featured financial information was a direct e-mail order service for annual reports. This was found on four (40%) sites. None of the sites had quarterly results or Form 20-Fs. Ratios were only featured on four (40%) sites. The most interesting among these was *Yahoo! Finance*, which provided ratios and other information in a format that could be downloaded onto a spreadsheet. This allows users to then incorporate figures into their own spreadsheet calculations. This was the only investor relations material found on any of the sites that availed of the new type of technology inherent to the Internet.

Many of the sites are run by stockbrokers or investment advisors and so, not surprisingly, half of them featured some type of brokers' analysis or report on plcs. None of the sites listed the analysts or stockbrokers that covered the companies.

Coverage of Irish plcs on third-party sites

Table 13 shows that one of the sites surveyed, *Davy Stockbrokers*, provides no information (free of charge) on Irish plcs. None of the sites surveyed cover all Irish listed companies. The best coverage was provided by *NCB Direct*, an Irish stockbroker site, which covers 93 plc sites (94%). The lowest was provided by *Shareholders Services* with 71 (72%) companies – possibly because companies are charged to appear on the site.

TABLE 13: COVERAGE OF IRISH PLCS ON THIRD-PARTY SITES

	Number	%
Number of Irish plcs	99	100
NCB Direct	93	94
Hemmington Scott	87	88
Wright Investors' Service	84	85
Electronic Share Information	82	83
Goodbody	76	77
Yahoo! UK & Ireland Finance	76	77
BCP Sharewatch	75	76
Shareholders Services	71	72
Irish Corporate information	0	0
Davy Stockbrokers	0	0

SUMMARY AND CONCLUSIONS

This study comprised two parts. The first examined Irish listed company Web sites while the second examined a sample of third-party sites run by stockbrokers, investment brokers and providers of investor information.

Irish company Web sites

Results show that 66 (67%) companies had a Web site, which represents an 81% increase in the percentage of Irish plcs with Web sites in one year. Of the 33 (33%) companies without a Web site, ten were either oil or mineral exploration companies. Furthermore, at least one third of companies without a Web site were found to be in the process of web-site construction.

Of the 66 companies with Web sites, 53 (84%) contained investor relations material in the form of an annual report or other financial results, while ten (16%) did not. Again this represents an increase when compared with a study carried out one year ago which found 24 (69%) Irish listed companies provided some form of financial information. Of those sites that did not contain investor relations material, two were staff recruitment agencies aimed at job seekers and two were real estate agents.

The most common investor relations information was company background which featured on 51 (96%) company sites. Only six (11%) sites featured background information on the industry in which the company operates. No Irish plcs featured any investor relations materials now possible using the new forms of communication inherent to the Internet technology. Examples include the option to download financial information in spreadsheet format, participate on-line in company annual general meetings, press and analyst conferences or to take part in Internet chat sessions or question and answer sessions with the investor relations department or financial director. While some of these examples may require the use of very sophisticated technology, others (such as the provision of information in spreadsheet format) would not be as difficult to achieve. Companies should look at the range of new possibilities presented by the Internet when planning the investor relations activities provided on their Web sites.

The number of businesses using the Internet has been rapidly increasing. As a result a lot of prior research into Internet use is now out of date. For this reason, only recent Internet studies are considered valid for comparison with this study. With an 81% increase in the percentage of Irish plcs with a Web site in one year, the current level of 67% is quickly catching up with their corporate counterparts in the US, UK and Germany in their use of the Internet. The most recent study available was carried out in January 1998 and showed that 95% of the S&P 100 corporations in the US, 85% of the DAX 100 companies in Germany and 72% of the FTSE 100 companies in the UK had Web sites (Deller et al. 1999). While these levels are still higher than the level of Irish plcs with Web sites, the difference may in part be due to differences in sample composition - the top 100 listed companies in the US/UK/Germany are likely to be considerably larger than the 99 Irish listed companies.

Of the 66 companies with Web sites 53 (84%) contained investor relations material in the form of an annual report or other financial results. One year previously, Brennan and Hourigan (2000) found only 24 (69%) Irish listed companies providing some form of financial information. Findings are similar to the levels found in German companies (69%, Deller et al. 1999) and UK companies (71%, Deller et al. 1999, 71%, Marston and Leow, 1998). Prior research found a higher presence of investor relations material on US company Web sites (91%, Deller et al. 1999).

No Irish plc Web sites featured any new types of on-line investor relations activities now possible using technology inherent to the Internet.

This finding was similar to the result of a survey on US, German and UK firms carried out in January 1998 (Deller et al. 1999).

Third-party Web sites

Almost all (90%) third-party Web sites provided some form of investor relations material free of charge. The most common investor relations services provided on third-party sites was current share prices. Results show that 9 (90%) sites had current share prices. The second highest category was historic share prices found on six (60%) third-party sites. The most commonly featured financial information was a direct e-mail order service for annual reports. None of the sites offered an overview of different industries. Only one new type of investor relations material that availed of technology inherent to the Internet, was found on any of the sites. *Yahoo! Finance* site provided ratios and other information in a format that could be downloaded onto a spreadsheet.

None of the third-party sites surveyed covered all Irish listed companies. The best coverage was provided by *NCB Direct* which covered 93 sites (94%), while the lowest was provided by *Shareholders Services* with 71 (72%) companies. Irish plcs need to ensure that any sites providing investor relations materials feature their company and that any details provided remain up to date.

Limitations of the research

Due to the dynamic nature of the Internet, the results of this survey only represent a snapshot of Irish companies' use of the Internet for investor relations activities. Web sites are constantly being created and their information content updated by organisations.

This study of third-party sites was based on a small sample of ten third-party sites.

Policy and other implications

Overall this research revealed that an extensive array of Irish company investor relations material is available on the Internet, both on company Web sites and third-party sites. It showed that Irish plcs are rapidly catching up with their counterparts in the US, Germany and UK in establishing company Web sites and using them to provide investor relations material. In the future, both of these factors are likely to draw Irish private investors more and more to this medium as a source of information. This increasing use of the Internet by Irish plcs

to display investor relations materials also presents them with an opportunity to communicate with and attract foreign private investors.

This study has also revealed, however, that Irish plcs are not availing of the full potential offered by the Internet as an investor relations medium. In order to do so they will need to address a number of issues. Traditional investor relations activities were aimed almost exclusively at institutional investors. These investors were usually already well informed in terms of the industry a company operated in and had no requirement for this type of information. The Internet, however, facilitates access to investor relations materials for large numbers of private individual investors, who can now use it to gain access to information otherwise only available to institutional investors. Investor relations activities provided on the Internet should be tailored to this less well-informed new audience. Background information on the industry in which a company operates is one of the key details that should be provided for this audience. Patel (2000) has suggested greater use of graphical depiction of quantitative information for comparative share analysis. He recommends graphical display of valuation measures (such as P/E ratios), intra-industry sales and earnings per share growth, and data depicting corporate financial strength, management effectiveness and profitability.

Future research

In order to complete the picture of Irish company investor relations and the Internet further research is recommended into the following three areas:

1. *Research into the users of Irish company investor relations material on the Internet.*

Users of Irish company investor relations material on the Internet should be surveyed to profile:

- Users, including the proportion of private versus institutional investors
- Type of investor relations materials used and required by users. This information could be used to guide Irish companies when designing investor relations material for display on the Internet. The results of such a study would indicate which investor relations material is most appropriate to their sites.

2. *Research into the use of the Internet by Irish plcs to attract foreign investors.*

A number of Irish companies are keen to broaden their shareholder base to include foreign investors. The Internet, with its worldwide access, provides Irish plcs with a unique opportunity to reach investors all over the world. It was noted that all the information was presented in English. None of the companies offered the option to translate the content of the site in any other language. This suggests that no effort has been made to reach non-English speaking investors using this medium. Research into this topic would include looking at whether Irish plcs seek foreign investors, how they go about this and opportunities presented by the Internet in assisting them in this task.

3. *Further research into investor relations materials provided by third-party sites.*

This study of third-party sites was based on a small sample of ten third-party sites. Further research could expand the number of these sites examined.

REFERENCES

- Arthur Andersen, 2000, *Spice up the Story – A Survey of Narrative Reporting in Annual Reports*:
<http://www.arthurandersen.com/website.nsf/content/EuropeUnitedKingdom>.
- Brennan, N. and Hourigan, D., 2000, 'Corporate Reporting on the Internet by Irish Companies'. *Irish Accounting Review*, forthcoming.
- Company Annual Reports on Line (CAROL), 1999, *The Use of the WWW for Corporate Reporting in Europe*, London, CAROL.
- Deller, D., Stubenrath, M. and Weber, C., 1999, 'A Survey on the Use of the Internet for Investor Relations in the USA, UK and Germany', *European Accounting Review*, Vol. 8, No. 2, pp. 351-364.
- Ettredge, M., Richardson, V. J. and Scholz, S., 2000, 'An Emerging Model of Web Site Design for Financial Disclosures: Targeting Information Clienteles', Communications of the Association for Computing Machinery, Forthcoming.
- Financial Accounting Standards Board, 2000, *Electronic Distributor of Business Reporting Information*.
[Http://www.rutgers.edu/Accounting/raw/fasb/public/index.html](http://www.rutgers.edu/Accounting/raw/fasb/public/index.html)
- Holland, J., 1997, *Corporate Communications with Institutional Shareholders: Private Disclosures and Financial Reporting*, Edinburgh, The Institute of Chartered Accountants of Scotland.

- Lev, B., 1992, 'Information Disclosure Strategy', *Californian Management Review*, Summer, pp. 9-32.
- Lymer, A. and Talberg, A., 1997, 'Corporate Reporting on the Internet - A Survey and Commentary on the Use of the WWW in Corporate Reporting in the UK and Finland', Paper presented at the European Accounting Association Annual Congress, Graz, Austria, April.
- Marston, C., 1996a, 'The Organisation of the Investor Relations Function by Large UK Quoted Companies', *Omega, International Journal of Management Science*, Vol. 24, pp. 477-488.
- Marston, C., 1996b, *Investor Relations: Meeting the Analysts*, Edinburgh, The Institute of Chartered Accountants of Scotland.
- Marston, C. and Leow, C.Y., 1998, 'Financial Reporting on the Internet by Leading UK Companies', Paper presented at the 21st Annual Congress of the European Accounting Association, Antwerp, Belgium, April.
- Midas-Net Ireland, 1998, *Multimedia and Internet Survey*, www.midas.ie.
- National Investor Relations Institute, 1998, *Standards of Practice for Investor Relations*, Newington, VA, National Investor Relations Institute.
- Nua, 28th June 1999, *Internet Surveys*. www.nua.ie.
- Patel, A., 2000, 'Diary of an Internet Trader', *Financial Times*, 2nd April.
- Ryder, N. and Register, M., 1989, *Investor Relations*, London, Hutchinson Business Books.
- Taylor, S., 1999a, *The Missing Link*, London, Institute of Chartered Accountants in England and Wales.
- Taylor, S., 1999b, *Full Disclosure*, London, Institute of Chartered Accountants in England and Wales.
- Weetman, P. and Beattie, A., 1999, *Corporate Communications: Views of Institutional Investors and Lenders*, Edinburgh, The Institute of Chartered Accountants of Scotland.