INVESTOR RELATIONS

When in Rome . . .

Many U.S. companies have been successful in attracting European investors. But do they know how to keep them?

BY MARY LOWENGARD

With Gaul divided into only three parts, Julius Caesar had a relatively easy time of it. Europe is somewhat more fragmented, and investor relations directors are finding — just as the Romans discovered that governing is distinct from conquering — that maintaining relations with overseas investors is different from recruiting them. This realization is presenting IR directors with a new set of challenges.

DEC's Steinkrauss: One way to stay in touch is to court the European press

Initial interest among U.S. corporations in cultivating nondomestic audiences was motivated by sound reasoning: Companies wanted to globalize sources of capital and to diversify and stabilize their shareholder mix with investors reputed to be loyal, long-term, even laissez-faire. Today more than 70 U.S. corporations have upwards of 50 individual U.K. and European funds invested in their stocks, according to a biennial survey by Brussels-based James A. Kuhn & Co. And questions such as "Do I need to list my stock?" (answer: no) have given way to "Absent an SEC, how do I identify my significant shareholders?" (It's tough).

Indeed, the biggest roadblock is identification. Though any IR director worth his salt can reel off domestic institutional and individual ownership percentages without blinking, ask what percentage is held offshore, and the stammering starts. "The best you can do is come up with a very good guess," confesses Timothy Elliott, director of shareholder relations at Eastman Kodak Co. To help piece together the jigsaw puzzle, many, including Elliott, retain European-based consulting firms that poll mutual funds and institutions regularly on behalf of clients.

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Yet there is some heartening news. European investors, not having had the luxury of a very liquid marketplace, tend to be aggressive in contacting the companies in which they've invested. Revealing just how much they own is another matter, however. Convinced that identification is critical, Katherine Tarbox, vice president of Colgate-Palmolive Co., persuades investors to reveal their holdings by explaining that when she has major news or is scheduling one-on-ones with her CEO, she calls investors in order of the size of their holdings.

Not entirely independent of the identification problem is information distribution. Commercially produced mailing lists are available, of course, and a thriving cottage industry of consultants based abroad monitors revolving doors on a continuing basis. Drop-shipping materials is the current method of choice; for expediting distribution, there's always the fax machine and First Call. IR directors also endorse frequent telephone contact between the U.S. and Europe.

Yet U.S. IR executives emphasize that they also want their materials to be disseminated to the investors' *sources* of information. Once again, the identification process is difficult. "We're not sure where they're getting their information," admits Mark Steinkrauss, director of IR at Digital Equipment Corp., "but we think it's the sell-side analysts."

American sell-side analysts, that is. With the exception of a cadre of precious-metal and mineral companies, only a handful of U.S. equities are followed in any depth by overseas brokerage firms, according to Barry Graubart, vice president of data-base services at Nelson Publications. Virtually all other institutional research is secondary. Given this fact — and the fact that the research business, both in the U.S. and abroad, is shrinking — it is crucial that IR professionals go directly to the investors themselves as much as possible (*Institutional Investor*, November 1990). "Companies that do not stay in touch with their investors," warns Kuhn vice president Michael Bamforth, "are essentially delegating responsibility for their European program to U.S. analysts."

Faced with the difficulty and expense of communicating directly with shareholders abroad, DEC's program recently shifted gears to exploit what Steinkrauss calls "the growing importance of the European press." The company's three-day European marketing conference last fall featured sessions on DEC's financial position targeted at reporters. "It was very cost-effective, and it ultimately reached a huge audience," reports Steinkrauss, adding that the overseas press is "knowledgeable and doesn't fool around."

Proxy collection and settlement, although not traditional areas of IR focus, are of increasing interest to IR directors with overseas programs. Convincing European shareholders to vote their proxies is "difficult but not impossible," notes Sharon Vuinovich, McDonald's Corp. vice president for IR. And settlement should be of concern because "it impacts the ability of individuals or institutions to invest in your stock," she explains. Identification of investors may ultimately be a function of settlement procedures adopted in the future.

Finally, because the discipline of investor relations is not exclusive to U.S. companies, an additional resource is likely to become available: peer networks. Currently, a movement is afoot to join existing IR groups in the U.S., the U.K., France and Denmark into an international federation for information-sharing. But until that happens, it's important to remember that one rule holds true whether a company is actively recruiting new shareholders in Europe or seeking to relate to current ones: There is no one rule that applies to the whole area. "Europe is a series of cultures," observes Maurice Hardy, president and CEO of Pall Corp., who has been dealing with European shareholders for more than 25 years.

So remember: Hold breakfast meetings only in the U.K.; keep the hour after lunch open in Germany, but hustle right along in Zurich; convince the CEO to greet the French *en français*; weave some commentary about political and economic trends into presentations in Brussels. And though it is okay to set up a late-afternoon session in Basel, don't attempt it in Bonn.