Understanding the True Risks of Utilizing Social Media for Financial Disclosure

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Last week, Twitter announced to the world it was filing its S-1 via its own social media platform. While a few vendors in the IR + social media space praise the recent decision by the SEC to allow public companies to disclose material news via social channels, most realize this method is far from a best practice.

What is disclosure via social networks?

In April 2013, the SEC announced that public companies could utilize social media networks as material disclosure distribution outlets, if they first let investors know which networks they were going to use. This announcement came with a wide range of support and backlash. Those in favor believe this decision is forward-thinking and a solid fit for the way people communicate today. Many others believe that this decision will lead to uneven access to content and the sharing of misinformation, ultimately creating a more volatile stock price.

Why are social networks bad platforms for disclosure?

Before we start, let me reiterate, I am obsessed with social media. I love Twitter. I love Facebook. I'm a wizard at G+, and yet I strongly believe social networks are terrible platforms for disclosure as they simply do not provide immediate, broad access to the news. Below are several of the road blocks facing this practice that should be considered by every public company before considering this step.

- **Does the news fit the platform?:** Each social network has its own personality and fulfills different end user needs and desires, most of which are not aligned with most companies' investor profiles. Facebook, for example, is an excellent recommendation engine. Pinterest is an aspirational website and Twitter is a continually updating information sharing tool. None of these sites are being utilized by the average user as legitimate investment forums. It is important to note that while platforms like StockTwits do bring the discussion of stocks onto Twitter, it is not reflective of Twitter's overall market use.

- **Lack of visibility of Tweets and social updates:** As noted in this infographic, many company updates are simply not seen by page friends and fans. In fact, 84% of Facebook newsfeed stories are never seen and 71% of tweets are ignored. This lack of visibility directly affects the success of social network disclosure posts.

- **Manipulated news visibility:** Every social network has the technology and ability to change the visibility of tweets and posts. Twitter, Facebook, and other networks are monetized by advertising. Paid tweets, sponsored posts and trends and more increase visibility of "popular" news and take valuable visibility away from non-paid status updates and posts.

- **Potential platform volatility**: Let's face it, social networks sometimes go offline. Whether it is for system maintenance, too much volume or a DOS attack, when you choose to disclose over a social network, you put yourself at the mercy of a network only a handful of years old.

- **The old game of telephone**: When news is shared out across social networks, people frequently include their own opinion before resharing. This leads to the possibility of message alteration (on Twitter, these changes are frequently noted with an MT which stands for modified tweet), which could directly impact perception of both the company and the news issued. Rumors spread quickly on social networks and once misinformation is shared, the company must focus on message correction or risk stock instability.

- **Lack of access to social networks:** In 2011, a study of corporate CIOs shows that 31% of companies did not allow access to social networks during work hours, directly limiting access to real-time breaking news. As the New York Times noted in 2012, financial institutions continue to struggle with providing traders and analysts with access to these channels.

- **Lack of immediate access to full-text:** The other issue with social networks is that they do not allow for very much text. This means a company must state the impact of their news in as little as 140 characters and include a link to the full text article. This 2-step process decreases potential visibility of the full story, and delays access to the news for end users.

- **The impact of delayed access to news:** One of the big discussions this summer in relation to the investment community was the financial impact of Thomson Reuter's product that provides elite traders access to key information milliseconds before the rest of the financial community. This service allows traders to buy and sell before the rest of the financial community. Every second counts on Wall Street. CNBC notes that within 10 seconds, hundreds of millions of dollars in trades can be completed. Social networks are unable to confirm equal visibility of news and tweets, making it very easy for trades to be made before the news has fully been disseminated.

- **The security issue:** While somewhat rare, every social network, every website, faces potential security attacks and risks. Even the AP's Twitter account was recently hacked, causing widespread sharing of a false report of a shooting at the White House. How are consumers supposed to know if your update is legitimate or not? How quickly can a stock price be halted if false news impacts trading?

- **By the way, who actually uses social networks?**: While many buy-side analysts praise the use of social networks as research tools for reporting (a practice we highly recommend), most social site demographics are not aligned with investor audiences. Pew Internet notes that only 16% of Americans who utilize social networks have a Twitter account while 67% use Facebook.

Did we mention that we love social networks?! So what should you be doing if you want to socialize your news, increasing overall awareness and engagement with your organization? Business Wire continues to recommend a mix of tools including:

- **Use broad distribution via a commercial newswire** to guarantee your full-text press release is simultaneously put in front of reporters, analysts and interested online parties.

- **Include multimedia** to enhance your news – analysts love multimedia, especially video from senior team members. Not only does multimedia increase viewership and news sharing, it has been proven to both drive deeper company-to-consumer relationships and also humanizes the brand.

- **Blog about it:** One of the best uses for corporate blogs is the ability to provide additional context for corporate news. These are perfect vehicles to showcase the "why" of your story. And blogs that answer expected media and analyst questions help reporters provide better news coverage, ensuring further approved message permeation, decreasing message confusion and stock volatility.

- **Sharing news socially** is a great idea! Once your news has been posted to your website, share it out across your social channels. Include *Tweet this* links inside your release copy to make it easy for your readers to share your highlights.

- **Live tweet:** One of the best ways to use social networks to share out news is to live tweet major events or news. Draft tweets based on key elements of your press release and tweet them out with links back to your news. Include created multimedia to drive even higher engagement and sharing.

- **Utilize video chats:** Create a video version of your blog and share each video's embed links with key reporters and analysts. Today's news outlets crave video content, as it both engages readers and increases the time the reader spends on their website. Analysts like the opportunity to see as well as hear from senior management. And of course, just like the blog, this content continues to drive message permeation.

- **Monitor the Conversation:** This is the number one way analysts today use social media. They use it to see what people are saying about you, your product, your reputation and company. The best way for organizations to utilize social media for disclosure is to *listen*. What are people saying about your company, what misconceptions need to be clarified, what message points are resonating and which ones are not? Through listening you can not only find where conversations are occurring about your brand, but major themes, providing you with a roadmap for future discussion points.

There is a real, legitimate place for social media tools and platforms in the news distribution process, just not for material disclosure.