

# Cost savings and revenue may be closer than you think

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**Y**our investors can become your best customers but first you need a 360 degree view.

One of the most exciting and lucrative trends to emerge globally involves the creative use of the shareholder register for cost saving and revenue generation activities.

This derives from a growing understanding that the shareholder register, often seen as a pure cost centre by company secretaries, can actually form the basis of a large potential asset for an organisation.

Underpinning this is a simple truth, supported by research, that the reasons that drive a person to invest in a company are often linked to that company's products and services. Understanding this link can support company sales and marketing efforts. This can translate into significant additional revenue to the bottom line.

## Knowledge is power

While companies may appreciate the concept of the 'register as an asset', few may be in a natural position to explore this concept in a practical sense. This might be due to:

- function splitting or isolation between shareholder services, investor relations, and sales/marketing
- limitations in data, eg, lack of internal infrastructure, basic register outsource arrangements
- lack of infrastructure to intelligently match investor and customer lists to establish which investors are also customers ('investomers')
- limited knowledge of what drives a retail investor to invest — and what makes them stay
- limited understanding of which communication methods suit which investors
- lack of resources or programs to build shareholder relations

- inability to be able to audit the company across various functions to identify combined revenue opportunities.

This is where a methodology called shareholder relationship management can assist. Its fundamental principles are to combine all data and existing research sourced from a company's shareholder services, investor relations, and sales/marketing functions; to carefully analyse the various data through advanced data matching techniques, then use it to frame and implement targeted investor/customer campaigns for relationship and/or revenue benefits. In essence, it provides the tools companies need to identify, understand and communicate with the individuals that make up its shareholder base, to then enable the release of value.

## Sectors

The European experience suggests that businesses in the financial services, retail and telecommunications sectors are obvious candidates for shareholder relationship management. These enterprises typically possess:

- large investor bases, providing a large pool from which customers may be drawn
- strong business-to-consumer (B2C) exposure
- more prominent or shorter generation competitive cycles
- strong brand/product awareness, making additional marketing efforts more readily deployable
- increased ability to package or group products and services, speeding the benefits of implementation
- increased communication infrastructure or resources to make implementation faster
- increased discretionary budget for program development.

Rolls-Royce plc, Debenhams plc, HBOS plc



and Deutsche Post AG have been among the European companies to use shareholder relationship management programs, with Australian corporations starting to follow suit.

## Starting early

While established listed companies can benefit greatly from programs that link their investor and customer strategies, data analysis of this type can also be applied at the pre-listing stage, with substantial effect.

Doing an analysis before going to market can help a company determine a profile of the ideal retail investor, the one who will respond most powerfully to company sales and marketing efforts and in turn drive bottom line revenue.

Retail offers are made via a number of direct and indirect channels. Indirect channels include brokers. Direct channels are managed on an ad hoc basis by the issuer and various intermediaries. Issuers will also make use of employee, customer and marketing databases to direct the offer at established shareholders. Intermediaries, such as online brokers, will direct the offer to their own customers and prospects.

This data can be aggregated into one database used specifically to support the retail offer. This would give the issuer centralised control over direct-offer distribution, as well as the ability to optimise both distribution and take up of the offer, by:

- targeting individuals based on their likeliness to respond
- personalising the offer with customised messages and pitches
- automating and efficiently managing follow up communications
- tracking response data and modifying targeting and marketing tactics immediately.

Together, this can lead to a number of benefits. It can assist the company to build a register that is lean, clean and manageable from a recurring cost point of view. From a company sales and marketing perspective, this assists in efforts to attract, from the outset, new and potentially better customers for the company's product and services. And it represents only a first step in potential value extraction.

## Business imperatives

The outcome of shareholder relationship management programs support at least three business imperatives:

**Cost rationalisation.** The cost of the register line item in the company secretarial budget is never far from scrutiny, but data matching and analysis can help remove anomalies from the register such as duplicate holdings. The process can also be used to help companies save funds by encouraging more investors to use e-communications for the receipt of company/shareholder information, and creating low value shareholder rationalisation schemes and other cost saving opportunities.

**Increased loyalty.** Central to your investor relations efforts is effective communication. Key to this is finding out the needs and preferences of investors. One size rarely fits all, however. How do you know what investors will respond to you positively, and why? Have you got the ability to target your communications efforts accordingly? **Better relationships.** The nexus between investor and consumer behaviour is strong. As any marketer knows, a superior offering alone is not enough. Translating preference into sales through stakeholder marketing is the key.

Here, there are a number of possible approaches, depending on the particular sales infrastructure and objective of the company concerned. Programs may range from loyalty campaigns (such as perks or benefits) or the formation of shareholder clubs, or the careful personalisation of services, through to segmenting of customers for cross-selling or 'up-selling' efforts.

Tapping the share register for potential customer value is a strategy that is closer than one might think, but it requires an investment of time and specialist infrastructure to bring all the relevant data together for effective use. By making a short-term investment in analysis of this kind, companies can secure the long-term benefits of more loyal investors and better customers. And in times of shrinking margins and rising costs, that is an opportunity well worth investigating.



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