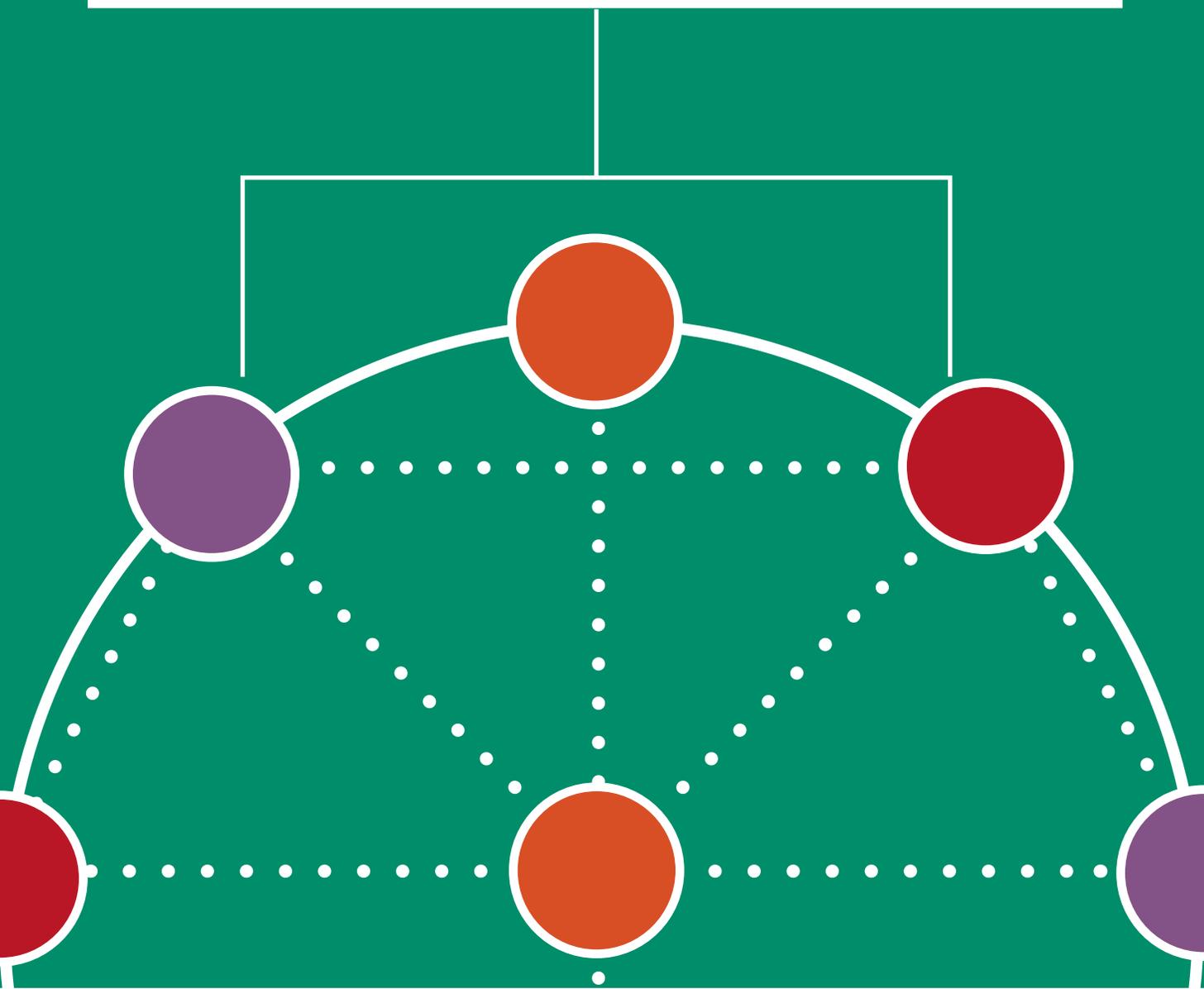




# Outsourcing IR

A guide to responsibilities and service requirements in investor relations



# TOP AREAS OF RESPONSIBILITY AND OUTSOURCING



	North America	Europe	Asia
<b>Highest level of IR department primary responsibility</b>	Roadshows, meetings & events <b>89%</b>	Roadshows, meetings & events <b>90%</b>	IR strategy <b>88%</b>
<b>Highest level of IR department secondary/support responsibility</b>	Corporate communications <b>51%</b>	Sustainability reporting <b>54%</b>	Sustainability reporting <b>44%</b>
<b>Highest level of outsourcing</b>	Proxy solicitation <b>37%</b>	Annual report design <b>42%</b>	Annual report design <b>45%</b>
<b>Highest average spend on external services*</b>	Stock surveillance <b>\$49,000</b>	Annual report design <b>\$50,000</b>	Annual report design <b>\$39,000</b>

\*By companies that outsource in the given area of activity

Small cap	Mid-cap	Large cap	Mega-cap
IR strategy <b>67%</b>	Roadshows, meetings & events <b>94%</b>	Roadshows, meetings & events <b>95%</b>	IR strategy <b>93%</b>
Security filing & printing <b>34%</b>	Corporate communications <b>50%</b>	Corporate communications <b>62%</b>	Sustainability reporting <b>67%</b>
Annual report design <b>36%</b>	Shareholder registration <b>34%</b>	Annual report design <b>41%</b>	Proxy solicitation <b>48%</b>

	Small cap	Mid-cap	Large/mega-cap
Annual report design	<b>\$23,000</b>	<b>\$44,000</b>	<b>\$66,000</b>

**ABOUT THIS REPORT** Outsourcing IR is a study of the responsibilities and external service provision typical in the practice of investor relations across the world. The report covers whether IR practitioners have primary or secondary responsibility for areas of corporate activity and how common it is for external services to be involved. This study is based on the responses of 891 separate investor relations practitioners to global surveys overseen by IR Insight, the research arm of *IR Magazine*. All figures in this report are in US dollars, and the market capitalizations of the companies in this report have been classified as follows: Small cap: under \$1 bn; mid-cap: \$1 bn to under \$5 bn; large cap: \$5 bn to under \$30 bn; mega-cap: \$30 bn and over.

## WHAT'S IN THIS REPORT?

- Section 1: Global overview**
- Section 2: Responsibilities and outsourcing by region**
- Section 3: Responsibilities and outsourcing by market cap**
- Section 4: External service provision: importance and satisfaction**



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## Introduction

According to the *IR Magazine Global Investor Relations Practice Report 2013*, an average of 31 percent of a firm's IR budget is spent on external services. Though this figure varies according to geographical region and market capitalization, companies of all sizes and regions depend upon outside help for the execution of good IR.

The role of investor relations itself involves responsibility for and input into a number of key areas of corporate activity. This report looks into 21 such activities and identifies the likelihood of the IR department having either primary responsibility within its company for these areas or secondary/support responsibility. We assume that those with primary responsibility are the key decision makers in the commissioning of external service providers and that those with secondary/support responsibility have varying degrees of influence and input into outsourcing in these areas, but are not ultimately responsible. We also report on how common it is for companies to use external services for work in each of the 21 areas of activity identified. Figures for the average spend for key areas of outsourcing are provided, too.

Sections two and three of this report look at the extent to which there is deviation from the global average figures when the data is broken down by region or market cap. We also seek to identify any patterns in how corporate practice toward responsibility and outsourcing differs according to geographical location or company size.

The final section assesses IR practitioners' priorities for and satisfaction with external services provision in reporting, market intelligence and outreach.

## Key findings

- IR strategy and roadshows, meetings & events are the key areas of responsibility for IR practitioners, and exhibit very low levels of outsourcing.
- Corporate communications and sustainability reporting are the two areas where the IR department is most likely to have a supporting role.
- There is less engagement among North American IR departments in sustainability reporting and greater engagement in the use of social media.
- Responsibility for IR and corporate communications is more likely to be shared at small-cap companies.

- Companies are most likely to use external services when dealing with annual report design and shareholder ID/register analysis.
- North American companies are most likely to outsource proxy solicitation; Asian companies are substantially less likely to.
- Mega-cap companies are almost twice as likely as small-cap companies to outsource shareholder ID/register analysis.
- Stock surveillance and annual report design are the two activities with the highest average spend on external services by companies that outsource.
- At large and mega-cap companies, average spends for annual report design, shareholder registration and shareholder ID/register analysis are approximately three times bigger than at small caps.
- IROs see market intelligence as the most important area for outsourcing, and reporting as the area where they are most satisfied with external service provision.

## Methodology

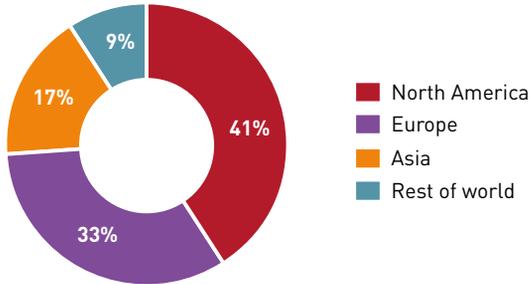
Research for this report was undertaken as part of the IR Magazine Global IRO Survey. The fieldwork for the survey from which all original findings in this report are taken was conducted in Q4 2013 and Q1 2014, and 891 individual IR practitioners responded to the questions that form the basis of this report.

External service provision figures are based upon whether outsourcing is conducted by the company as a whole and not just the IR department or those with responsibility for investor relations. Average spend figures are calculated using the adjusted mean method. This is done by ordering the figures in each dataset by value and excluding the top and bottom 10 percentiles from the mean calculations.

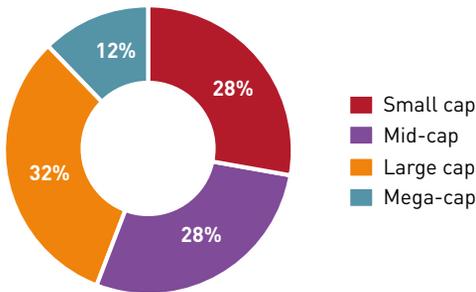
Sections two and three look at regional and cap size deviations from the global norm. In these sections a deviation is considered meaningful if it is five percentage points or greater and significant if it is 10 percentage points or greater.

RESPONDENT DATA: COMPANY PROFILE

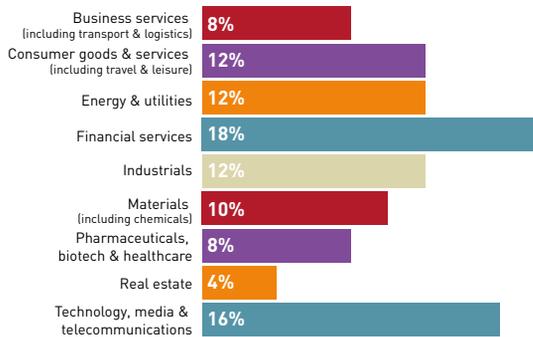
Region



Market cap

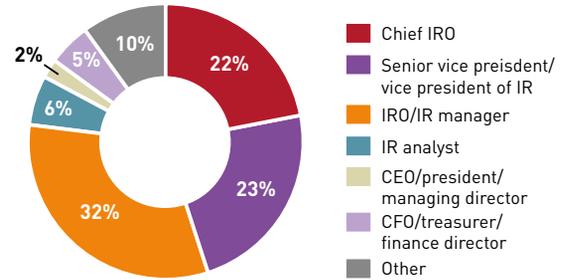


Sectors

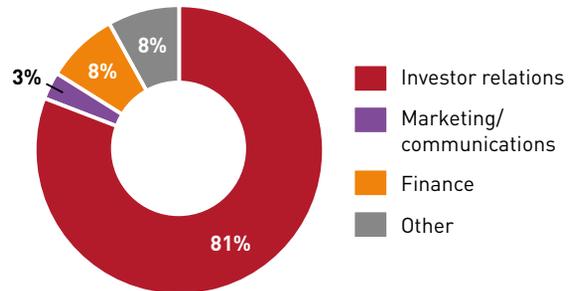


RESPONDENT DATA: PERSONAL PROFILE

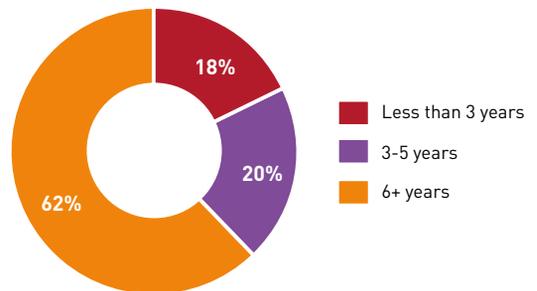
Job title



Primary role



Time served in IR



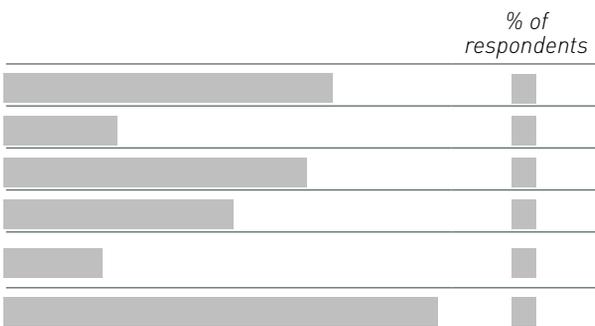
## Section 1: Global overview

### Overall responsibilities

The chart opposite looks at the level of responsibility IR departments typically have for key areas of investor relations within their company. We identify here whether that responsibility is of a primary or secondary nature. We consider primary responsibility in any given area to be where the department is ultimately responsible for work undertaken and decisions made, and secondary responsibility to be where the department has key input but not ultimate responsibility.

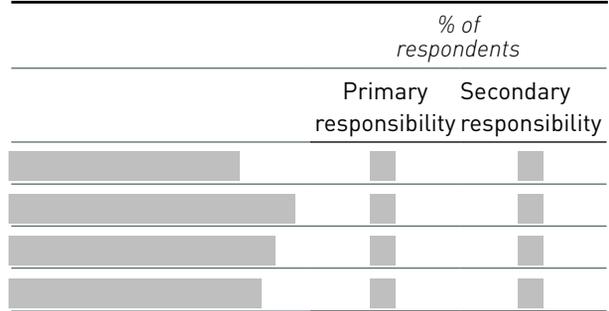
The areas where IR departments typically have the greatest level of responsibility are roadshows, meetings & events, where 88 percent of respondents have primary responsibility, and IR strategy, where 87 percent have primary responsibility. In each case an additional 4 percent of respondents have secondary/support responsibility. Other areas of high primary responsibility for IR departments include conference calls, IR web pages, targeting and producing consensus earnings estimates.

#### Top areas of primary responsibility



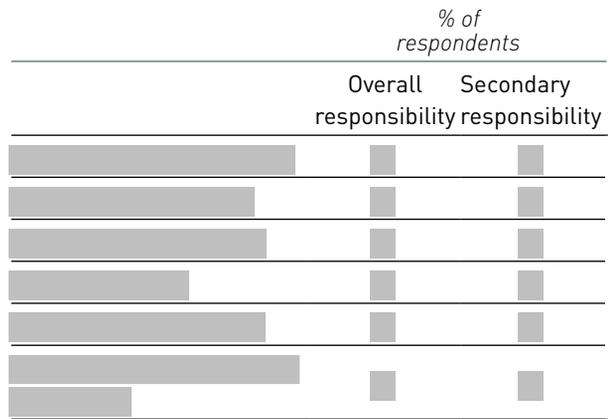
Some activity areas see high levels of overall IR departmental responsibility, but with a greater proportion of that comprising secondary/support responsibility than is seen in the areas mentioned above. Annual report content, corporate communications, financial media relations and financial news releases all have overall IR responsibility levels of more than 80 percent, but with primary responsibility levels ranging from 40 percent to 69 percent.

#### High overall responsibility, lower primary responsibility



Along with corporate communications, there are five other areas where the IR department is typically more likely to have secondary/support responsibility than primary responsibility. In the area of sustainability reporting, for example, the investor relations function is more than twice as likely to have a supporting role as it is to have primary responsibility.

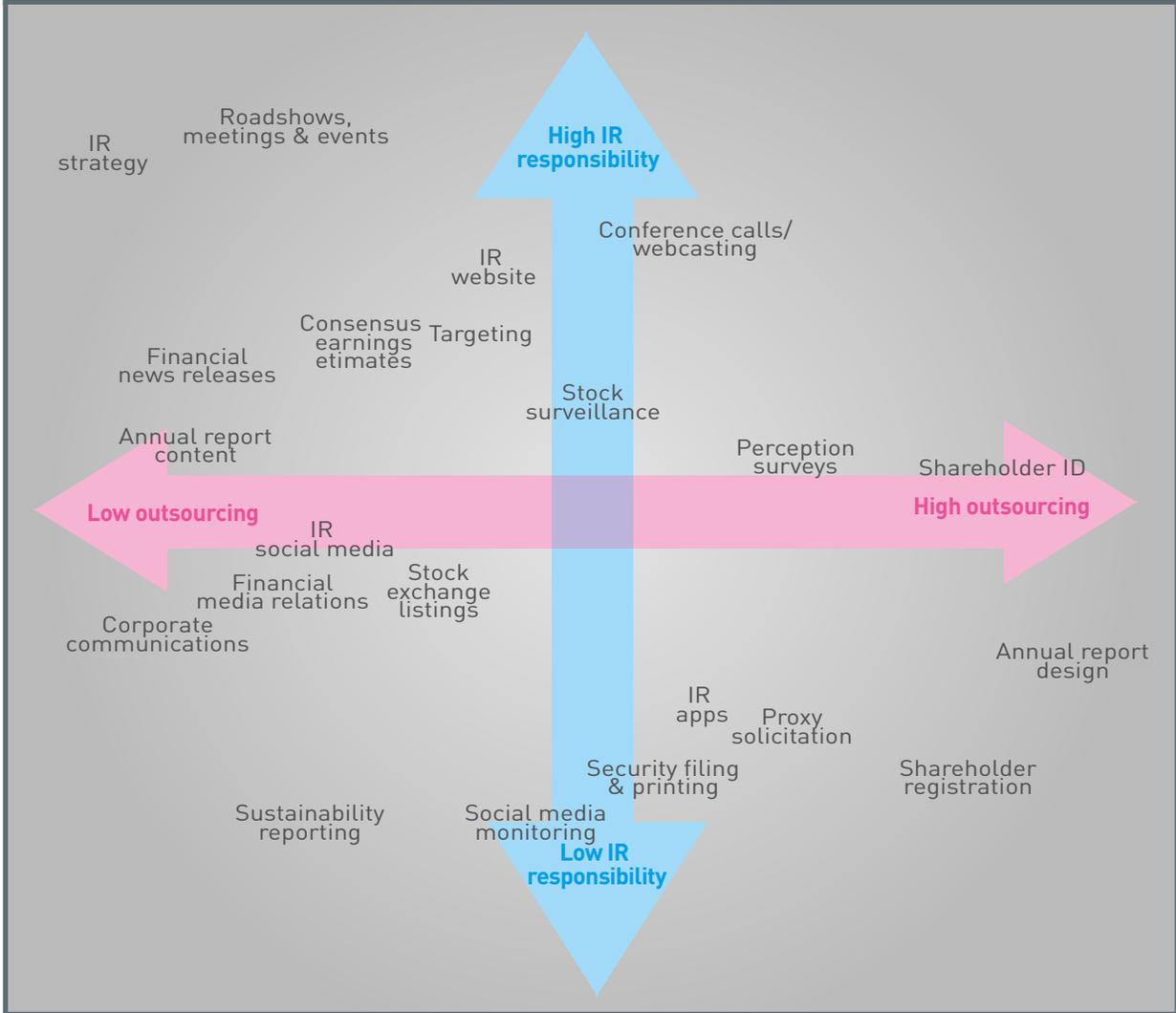
#### Most likely areas of secondary/support responsibility



#### Low primary responsibility vs low overall responsibility

Where IR departments show low levels of primary responsibility this is because either this responsibility is held elsewhere in the company or the company simply doesn't engage in that activity. One way to assess this is to compare the levels of primary responsibility with the levels of primary and secondary responsibility combined.

IR PRIMARY RESPONSIBILITY AND OUTSOURCING LEVELS COMPARED



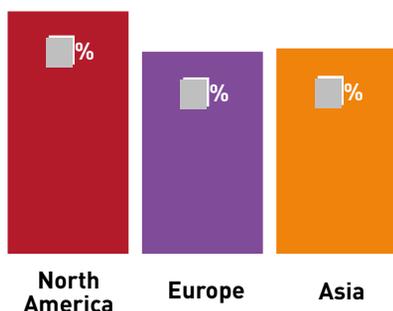
## Outsourcing spend

The tables opposite show the average spend on outsourcing where companies use external service providers; these are not average figures for outsourcing among all respondents. The figure for each area is calculated using data only from respondents who outsource in that given area and does not include the zero expenditure of those who don't. As an example, this means that among the 38 percent of companies that use

external service providers to help them with the design of their annual reports, the average outsourcing spend for annual report design in 2013 was ██████.

The ██████ figure for annual report design is the third-largest typical outsourcing spend, with expenditure on financial media relations and stock surveillance fractionally higher at ██████ and ██████, respectively. With a level of outsourcing of 38 percent, however, compared with just 8 percent for financial media relations and 20 percent for stock surveillance, annual

### Annual report design



- North American investor relations departments are more engaged in annual report design than their counterparts in Europe or Asia.

## Outsourcing

### North America

In North America there are two areas of activity – proxy solicitation and stock surveillance – that have significantly higher levels of outsourcing than the global norm, while the design of annual reports has a significantly lower level of outsourcing.

#### Use of external service providers

Area of activity	% of respondents	
	North America	Global
Annual report design	~8%	~12%
Proxy solicitation	~18%	~10%
Security filing & printing	~10%	~10%
Stock surveillance	~18%	~10%

### Top 10 spending areas in North America

Area of activity	% of firms that outsource	Average external spend 2013
Proxy solicitation	~10%	~\$1.5M
Transfer agent/shareholder registration	~10%	~\$1.5M
Shareholder ID/register analysis	~10%	~\$1.5M
Stock surveillance	~10%	~\$1.5M
Perception studies	~10%	~\$1.5M
Annual report design	~10%	~\$1.5M
Security filing & printing	~10%	~\$1.5M
Conference calls/webcasting	~10%	~\$1.5M
IR apps for smartphone/tablet	~10%	~\$1.5M
IR web pages/website	~10%	~\$1.5M

### Europe

There are no areas of activity in Europe where the level of outsourcing is meaningfully higher than the global norm; there are five areas where it is meaningfully lower.

#### Use of external service providers

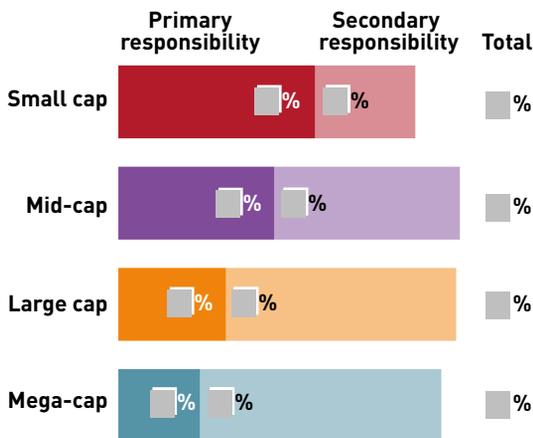
Area of activity	% of respondents	
	Europe	Global
IR web pages/website	~5%	~10%
Proxy solicitation	~10%	~10%
Security filing & printing	~10%	~10%
Stock surveillance	~10%	~10%
Transfer agent/shareholder registration	~10%	~10%

with significantly higher secondary responsibility. There is also significantly higher secondary responsibility for social media monitoring and sustainability reporting. This results in five areas of activity at mega-caps where the levels of primary and secondary responsibility combined are 10 percentage points or more above the global norm.

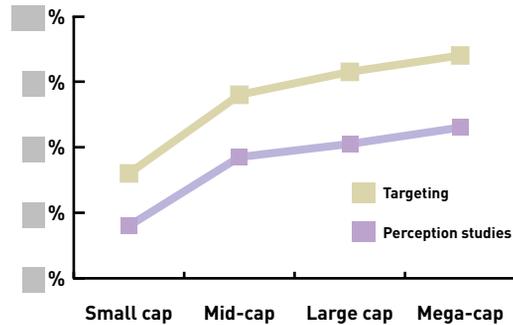
**IR department with primary responsibility**

Area of activity	% of respondents	
	Mega-caps	Global
Annual report content		
Annual report design		
Corporate communications		
Financial media relations		
IR apps for smartphone/tablet		
IR use of social media		
Perception studies		
Targeting		

**Trends in responsibility levels across cap sizes**



- Primary responsibility for corporate communications falls from small cap to mega-cap, indicating that the two functions of IR and corporate communications become more independent as company size increases.



- Primary responsibility for targeting increases by 36 percentage points and for perception studies by 30 percentage points from small cap to mega-cap.

**Outsourcing**

Among the cap sizes there is less deviation from the global norm in outsourcing compared with responsibility levels, although there are some clear trends in outsourcing levels that are dependent upon company size. Here we identify instances of meaningful deviation from the global average of five percentage points or more.

**Small caps**

There are four areas of activity where the level of outsourcing among small caps is meaningfully lower than the global average.

**Use of external service providers**

Area of activity	% of respondents	
	Small caps	Global
Conference calls/webcasting		
Perception studies		
Shareholder ID/register analysis		
Stock surveillance		

## External services spend by cap size

The following figures indicate the average spend on external service provision for the key areas of outsourcing by market cap. There was insufficient data to present results for mega-caps, so those responses have been included in the large-cap data.

### Top spending areas: small caps

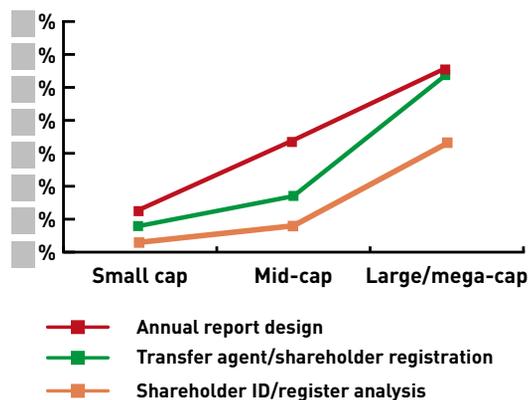
Area of activity	% of firms that outsource	Average external spend 2013
Annual report design	■	■
Transfer agent/shareholder registration	■	■
Shareholder ID/register analysis	■	■
Proxy solicitation	■	■
IR apps for smartphone/tablet	■	■
Perception studies	■	■
Security filing & printing	■	■

### Top spending areas: mid-caps

Area of activity	% of firms that outsource	Average external spend 2013
Annual report design	■	■
Transfer agent/shareholder registration	■	■
Shareholder ID/register analysis	■	■
Perception studies	■	■
Proxy solicitation	■	■
Security filing & printing	■	■
IR apps for smartphone/tablet	■	■
Conference calls/webcasting	■	■
Stock surveillance	■	■

### Top spending areas: large/mega-caps

Area of activity	% of firms that outsource	Average external spend 2013
Shareholder ID/register analysis	■	■
Annual report design	■	■
Transfer agent/shareholder registration	■	■
Perception studies	■	■
Proxy solicitation	■	■
Conference calls/webcasting	■	■
IR apps for smartphone/tablet	■	■
Stock surveillance	■	■
Security filing & printing	■	■
Social media monitoring	■	■
IR web pages/website	■	■



Annual report design, shareholder ID and shareholder registration are the top three areas for outsourcing in all three datasets. Spending on external services for all of these areas increases substantially as company market cap size increases.