

PEKKA TUOMINEN / Ph.D. (Econ.) / Turku School of Economics and Business Administration Department of Marketing

Episodes and Bonds in Investor Relationship Marketing -A Conceptual Framework and Empirical Support

Marketing goes far beyond the basic cus-tomer-supplier dyad. In addition to its commitment towards its customers, the company is also concerned with the development and enhancement of more enduring relationships with other stakeholders and network partners. The purpose of this study is to describe, analyse and understand investor relationship marketing both theoretically and empirically. Firstly, we explore the paradigm shift into relationship marketing; secondly, we define the fresh concept of investor relationship marketing; thirdly, we identify the short term investor episodes and the long term investor bonds of investor relationship marketing; fourthly, we create a conceptual framework for investor relationship marketing; and finally, we provide some preliminary empirical support for the framework. Empirical results are based on three mail surveys in 1994, 1995 and 1996.

By investor relationship marketing, we mean the continuous, planned, purposeful, and sustained management activity which identifies, establishes, maintains, and enhances mutually beneficial long term relationships between the companies and their current and potential investors, and the investment experts serving them. Short term investor episodes initially form the basis of long term interaction between the partners in the investor community. Various investor bonds of attraction, trust, and commitment may evolve. Attraction is mainly a future-oriented bond which incorporates the expectations of each party concerning the potential rewards of the exchange relationship over time. Trust clearly has its roots in the common history of the relationship, but is, essentially, also coloured by current expectations about the future. Commitment is the most advanced bond and takes the most time to develop. It primarily reflects the prior history of the relationship.

Finnish listed companies have laid down their main emphasis on improvements both in meetings with stock analysts and lately also in interim reports. Annual and interim reports are the principal sources of written information for the Finnish stock analysts. Information in several oral forms is also vital for the stock analysts. Significant improvements can be found in the contents of interim reports while some weakening can be found in the information episodes of personal appointments and news in media. Success in investor relationship marketing requires the companies to extend their scope of investor relationship marketing from the mere publication of obligatory annual and interim reports to more frequent, extensive, proactive and diversified two-way interaction and communication with current and potential investors and experts serving them.

It can be concluded that Finnish listed companies have realised the necessity of investor relationship marketing and consequently many of them have activated their reporting and disclosing practices. Previous studies on corporate investor communication and disclosing policies have shown that large and highly internationalised and institutionalised companies with substantial foreign ownership are the front-runners in the field of investor relationship marketing in the Finnish stock market. The most advanced companies belong to the metal and forestry industries and they are also listed on foreign stock exchanges. It is evident that new and coming issues to shareholders, potential listings abroad and international capital acquisition needs may function as critical events and driving forces for the companies in activating investor relationship marketing in order to create, maintain and enhance attraction, trust and commitment in the investment community.