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Investor communication channels: the case of e-mail and corporate websites – mutually exclusive or complementary?

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Abstract

Purpose – The aim of this study was threefold: to examine companies' e-mail handling performance, to ascertain whether companies' view corporate websites and respond to e-mail requests as mutually exclusive or complementary, and finally to gauge the strategic importance of retail investors.

Design/methodology/approach – The findings are based on an analysis of the corporate websites and e-mail handling performance of the 77 smallest companies listed on a South African stock exchange. A "mystery investor" approach was employed to measure companies' e-mail handling performance in terms of responsiveness, timeliness and relevance of responses. A disclosure score was calculated for each company based on a content analysis of corporate websites.

Findings – The opportunity for improvement exists, as evidenced in the fact that only 53% of companies responded to an e-mail request from a retail investor. The results suggest that corporate websites and the e-mail functionality are not used in isolation but as complementary. Although the results suggest that companies neglect retail investors, companies that provided a dedicated investor relations (IR) contact address prioritised both their corporate websites aimed to a wide range of stakeholders, as well as responding to an e-mail request received from a retail investor.

Originality/value – This study contributes to research on the association between one-way and two-way communication channels, aimed at retail investors. It is the first study to explore these relationships using data from the smallest companies listed on the stock exchange of an emerging economy.

Keywords Shareholder communication, Investor relations, Stakeholder relationships, Online communication, Retail investors

Paper type Research paper

Introduction

The phrase "investor relations" (IR) was first coined in 1953 with General Electric forming the first known IR department. Since then, the IR function progressed from predominantly being a public relations function (1945–1970), to an increased emphasis on finance that entailed the maximisation of share prices and a focus on institutional investors, (1970–2000), and finally (early 2000s to the present) focussing on attaining synergy between communication and finance professionals. In addition to corporate scandals in the 1990s, technology further revolutionised the IR function. In a 2021 survey (Brunswick, 2021) company-provided IR websites emerged as the most used and most trusted source of information for investors (amongst both digital and traditional media). Arguable few investors really understand

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traditional financial statements, with the Fourth Industrial Revolution continuing to expand reporting mechanisms (Rudman, 2021).

Although, the notion that IR, including the use of the corporate website (hereafter referred to as website) as communication channel, has beneficial outcomes, seems to be well supported by empirical research (Agarwal *et al.*, 2016; Chang *et al.*, 2008; Karolyi *et al.*, 2020; Nel *et al.*, 2019), the website as an one-way communication channel lacks the ability to engage in stakeholder dialogue.

The use of a website as an IR communication channel has previously been described in the literature as providing "push" information (Gowthorpe, 2004), asymmetrical communication (Hassink *et al.*, 2007), a functionalistic paradigm (Hetze *et al.*, 2019) and a shielding platform (Hoffmann and Aeschlimann, 2017). In contrast, the use of technologies to promote engagement and dialogue has been regarded as "pull" information (Gowthorpe, 2004), symmetrical communication (Hassink *et al.*, 2007), a constitutive paradigm (Hetze *et al.*, 2019) and an engaging platform (Hoffmann and Aeschlimann, 2017).

Even though an array of social media channels (such as Twitter and Facebook) are available to companies to promote shareholder dialogue, research to date has shown that companies shy away from the use of technology to engage in shareholder dialogue (Hassink *et al.*, 2007; Von Alberti-Alhtaybat and Al-Htaybat, 2015; Baard and Nel, 2016; Hetze *et al.*, 2019; Oltarzhevskyi and Shevchenko, 2019; Capriotti *et al.*, 2021). During the planning phase of the current study, a preliminary investigation was done to determine the options available to shareholders to engage in shareholder dialogue. Following an overview of the sample websites, it was found that where all companies provided an e-mail address under contact information, only 32.5% provided a link to at least one of the following: Twitter, Facebook, YouTube or LinkedIn.

One of five variables used by Hetze *et al.* (2019) to measure companies' willingness to engage with shareholders is the availability of contact information on their websites. E-mail contact information provides an opportunity for investors who are unable to find the required information on the website or annual report to e-mail the company directly. Investors' expectations of a specific source of information are aligned with their currently perceived problem, namely their inability to readily find the information (as per situational theory) (Penning, 2011).

The aim of this study is threefold: (1) to examine companies' e-mail handling performance, (2) to ascertain whether companies view websites and responding to e-mail requests as mutually exclusive or complementary and (3) to gauge the strategic importance of retail investors. More specifically, the rationale for the second facet of the study aim is to answer the following research question: If a company has a high quality of asymmetrical communication channel in which it has already invested, does it also lead to high quality symmetrical communication from companies?

An array of economic and financial theories predicts that companies would disclose as much as possible value relevant information on the website, namely agency theory, legitimacy theory, capital need theory and signalling theory. While website content is set by companies and may require a higher once-off investment to design, updates can be made daily, weekly, monthly, or even annually, based on the content and strategic importance thereof, as opposed to e-mail requests that are more unstructured and labour intensive. Arguable, a well-developed website may therefore reduce the need for companies to respond to individual e-mails. Stakeholder theory, on the other hand, predicts that companies have both a moral and ethical obligation to respond to e-mail queries received from an e-mail address provided to shareholders on their websites. Corporate governance codes in South Africa further advocate good stakeholder relationships. Strauss (2018) specifically calls for experimental methods to ascertain how trust between companies and shareholders can be fostered through information exchange via e-mail.

To achieve the aim of the study, four research questions were asked:

(1) What is the e-mail handling performance of companies with respect to e-mails that they receive from a potential retail investor (in terms of responsiveness, timeliness and relevance)?

(2) Does any relationship exist between the respective variables used to measure e-mail handling performance?

(3) Does any relationship exist between the type of e-mail address used to contact a company (i.e. a general e-mail or dedicated IR e-mail) and (a) the e-mail handling performance and (b) the website score?

(4) Does any relationship exist between a company's e-mail handling performance and the website score?

(5) Which company characteristics explain companies' e-mail handling performance and website use, and are there any characteristics that explain both?

Following Hassink *et al.* (2007), e-mail handling performance was measured with three variables: responsiveness, timeliness and relevance. A mystery investor approach was employed. The use of the website as a communication channel was measured using a measurement instrument based on Rule 26 as issued by the London Stock Exchange (LSE). The study sample was defined as the smallest companies listed on the Johannesburg Stock Exchange (JSE). As discussed in the literature review, investors in smaller companies may be more reliant on websites and e-mail requests as information source compared to their counterparts in larger, more visible companies. Related studies to date favoured larger company data (see Appendix 1).

South Africa, historically described as Anglo-Saxon, provides for a unique research setting. On the one hand, Anglo-Saxon companies traditionally have a strong shareholder orientation (Hassink *et al.*, 2008, p. 170), whereas JSE-listed companies are often viewed as forerunners regarding corporate governance and stakeholder relationships because of the well-known King reports. On the other hand, South Africa has one of the highest Gini coefficients in the world, with few individuals directly investing in companies as retail investors, [1] factors that may impede the strategic prioritisation of retail IR by companies. Presuming that institutional investors have direct access to management and sufficient resources to gather information, they do not need to use a generic e-mail address to contact a company, this study is therefore primarily concerned with retail investors.

The rest of this paper is organised as follows: a literature review, discussion of research method, presentation and discussion of results and finally a conclusion, alluding to the implications of our results for companies, the shareholder community and authorities, as well as the limitations of this study, and finally future research opportunities.

Literature review

The purpose of the literature review is threefold: to highlight empirical research that supports the importance of IR to respond to investor queries, to discuss the role of smaller companies and the importance of retail investors and social media from an IR perspective and finally to briefly discuss company characteristics that may explain companies' strategic prioritisation of their websites and e-mail information requests received.

Investor queries

Based on a two-tiered approach, relying on interview data and survey data from analysts active on the Frankfurt Stock Exchange (FSE), Hoffmann and Fieseler (2012, p. 145) identified the availability and openness of IR staff as the third single [2] most important non-financial factor that plays a role in the formation of a company's image, and ultimately its valuation on capital markets. Using US data, Ragas and Laskin (2013) reported results that support the findings of Hoffman and Fieseler. More specifically, respondents in their survey rated relationships with the financial community and responsiveness to investor enquiries in their top five list out of 17 available criteria. More recently, similar results were also documented by Hoffmann and Binder-Tietz (2020). In their study, IR heads of the 51 largest FSE-listed companies rated responsiveness to investor enquiries as the third highest out of 15 KPIs used to evaluate the success of their IR programmes. Relying on survey responses of the IR executives of JSE-listed companies, Nel and Van der Spuy (2021, p. 442) found that IR prioritise "responding to requests from shareholders", both current and prospective, as strategically important.

Although responsiveness to investor queries therefore seems paramount for investors and companies alike, Hassink *et al.* (2008, p. 169) point to two practical concerns that may influence companies' response to e-mails: budgetary constraints and privacy issues, both factors that may discourage companies from responding to an e-mail request from an unknown retail investor.

Small companies, retail investors and social media (excluding websites): black sheep in the IR function?

Survey results documented by Nel and Van der Spuy (2021, p. 440) suggest that larger companies prioritise the IR function relative to smaller companies. Larger companies do not only disclose more information over a wider variety of communication channels because of resource availability (Hoffmann and Aeschlimann, 2017), but also receive better coverage from analysts relative to their smaller counterparts (Nel *et al.*, 2019). The introduction of the Markets in Financial Instrument Directive (MiFID) further intensified the importance of the company as direct information source for smaller companies (Murphy, 2018).

Specifically relevant to JSE-listed companies, King IV (published in 2016) encourages proactive engagement with stakeholders, as well as the equal treatment of all shareholders, with the interests of minority shareholders (therefore retail investors) protected. Notwithstanding the King IV recommendations, retail investors were ranked lowest in terms of stakeholder importance by IR executives in South Africa (Nel and Van der Spuy, 2021, p. 443). A recent US study, on the other hand, shows a rising influence of retail investors (Aramonte and Avalos, 2021). Research carried out by Barclays Stockbrokers and Capita Asset Services (Lorenz, 2018) provide evidence that having a base of retail investors helps companies to mitigate the risks brought by market fluctuations. For example, where research conducted by Barclays Stockbrokers showed that 76% of retail investors who invest into new stock exchange listings are still invested after the first year, research by Capita Asset Services showed that institutional investors in general keep such investments for less than two years.

Social media channels were the lowest ranked criteria amongst US participants in the Ragas and Laskin (2013) study. In contrast, the increasing importance of social media in IR was shown by a study of Nuseir and Qasim (2021), which found that companies use social media to reduce information asymmetry between managers and shareholders. More specifically, their study showed that investors can make better investment decisions by engaging in a shared communication process.

Although social media is often broadly defined as any type of Internet-based application that builds on the foundations of Web 2.0 and enables the creating and exchange of user-generated content (Kaplan and Haenlein, 2010), the majority of IR literature appears to focus on websites, Twitter, Facebook, LinkedIn and YouTube as social media platforms that could be used to improve shareholder dialogue and engagement. Although a 2016 study by Greenwich Associates (CyberAlert, 2016) showed that 80% of institutional investors in the US use social media, there are at least four reasons why retail investors, on the other hand, may prefer to use websites and the e-mail functionality to gather information from small companies instead of relying on other popular social media platforms, such as Twitter and Facebook.

One reason may be too much "noise" on some platforms. Using US data, a study by Zhou *et al.* (2015) showed that merely 7.06 and 3.45% of Facebook and Twitter messages, respectively, are related to corporate disclosures. Another reason may stem from the voluntary and unstructured nature of social media platforms (including websites), questioning the trustworthiness of information, strengthening the perception that social media platforms are primarily used by companies in a strategic way to distribute positive or biased news (Nuseir and Quasim, 2021).

The strategic neglect of social media platforms by companies may also discourage investors to rely thereon. As already discussed in the Introduction, the results of this study showed that only a third of companies examined, appear to have a presence on other social media platforms besides their website. In a survey that targeted only IR executives (or another member of the C-suite) from JSE-listed companies, Facebook and Twitter were rated as respectively the lowest and second lowest out of 20 IR tasks or tools available to the IR function. Similar results were reported in a 2021 survey, where US respondents ranked social media (excluding websites) as the second lowest out of 15 topics/initiatives they plan to prioritise in the next 12 months.

Finally, given the unique characteristics, advantages and disadvantages of different social media platforms, it might be argued that websites and the e-mail functionality, may perhaps be best suited for searching and requesting specific information from companies given the inherent limitations of other platforms such as Twitter. The implication for investors is that they can make better decisions by engaging in the process which is facilitated by reciprocal communication. According to CyberAlert (2016), best practice for IR teams is to employ different approaches for different channels. LinkedIn, for example, is best for sharing most corporate content (from careers to market updates), compared to Twitter that may be best suited for the fast sharing of up-to-date information (Nuseir and Qasim, 2021) such as live earnings announcements and for directing followers to investor-related corporate announcements on, for example, their corporate website. Where Flickr or Facebook works well for brand-focused posts, and to connect people, organisations and businesses (Nuseir and Qasim, 2021) on the one hand; YouTube on the other hand is more ideal for uploading corporate result presentations and executive interviews.

Company characteristics

To date, various studies have examined the determinants of website disclosures (e.g. Ahmed *et al.*, 2017; Kundelienė and Stepanauskaitė, 2018; Mokhtar, 2017). Drawing from these studies, the following six variables were examined in the current study as variables that could explain companies' e-mail handling performance and website management: size, directors' shareholding, profitability, listing status, audit firm and industry membership.

Larger companies are not only more visible, but presumably also have larger IR budgets, compared to their smaller counterparts. Larger companies usually have a more dispersed and higher number of shareholders, resulting in higher agency costs and information asymmetry, two factors that may motivate companies to invest more heavily in corporate communications.

High levels of director shareholdings, on the other hand, may theoretically reduce agency costs and the need for a company to engage in additional communication channels (through an improved alignment of the interest of management and shareholders). Profitable companies may have an added incentive to engage in additional communication channels to distinguish themselves from less profitable companies in "spreading the news". Dual listed companies are not only more visible with a more dispersed shareholder base, but may also face additional regulatory requirements, both possible reasons for more shareholder engagements. Large audit firms may be under more pressure (because of reputational damage) to ensure that their clients comply with regulations that demand good stakeholder relationships and transparency, for example those articulated in King IV. Finally, as shown by De Vries *et al.* (2017), retail investors may be more inclined to invest in companies whose products and brands are better known to them. As a result, companies in the consumer industries may be more accustomed to e-mail requests from unknown potential investors.

Research design and methodology

A quantitative approach to gauge companies' e-mail handling performance and a content analysis of websites was considered most suitable to address the four research questions set to achieve the study aim. This section explains the selection of the study sample, measurement of the variables, and the research methods used to answer the research questions.

Selection of the study sample

To allow companies sufficient time to establish an IR function and to exclude illiquid companies, the population was defined as all JSE-listed companies that had been listed for 18 months or more on 31 August 2017 and had traded for 40 days or more in the preceding six-month cycle. This criterion resulted in a population of 275 companies. In line with the purpose of the study, the smallest 30% (based on market capitalisation) of the population of 275 companies were selected, resulting in 83 companies being included in the study sample.

Calculation of website score

Besides recommendations by King IV (IoDSA, 2016) and the IIRC (2011) that a company should utilise its website as a communication channel, the decision to do so is unregulated in most countries, including South Africa. One exception is Rule 26, as issued by the LSE, mandating companies listed on its Alternative Investment Market (AIM) to disclose specific items on their websites. As the AIM caters specifically for smaller companies, it provided an opportunity to calculate a website disclosure score (hereafter referred to as website score) for smaller companies listed on the JSE. Besides the 30 attributes based on Rule 26, five additional attributes [3] that could increase the accessibility of information were measured [4].

All attributes were scored as either 0 (not available) or 1 (available), resulting in a disclosure score for each individual website varying between a minimum of 0 and maximum of 35. Companies with a higher disclosure score were considered to have a higher quality website management. The mean score for the companies in the sample was 18.39 and the median score was 19. All measurements were performed from September 2017 to March 2018.

Measurement of e-mail handling performance

To measure e-mail handling performance, a mystery investor approach that entailed sending an e-mail (or completing a web enquiry form on the website if no contact e-mail address was provided) request from a private potential investor was followed. E-mail addresses were obtained from the companies' websites, first by scrutinising the IR section of the website and then, if unsuccessful, the remainder of the website. Of the 83 companies selected in the sample, two companies had no contact details (either an e-mail address or web enquiry form), three companies' e-mail facility was blocked, and one company's web enquiry form was not functional, resulting in a final sample size of 77 companies [5].

Next, a Gmail address was set up for the mystery investor, Rory Duncan, and on 17 October 2018, 77 e-mails were sent using the e-mail shown in Appendix 2. Of the 77 e-mails that were sent, two companies had no contact e-mail addresses available on their website and the questions of the e-mail were posted by completing a web enquiry form available on their websites. The questions were posted on the web enquiry form at the same time the e-mails were sent to the remaining 75 companies with e-mail addresses. Of the 75 companies, 25 e-mails were sent to an IR departmental e-mail address and 50 to a general e-mail address. The email requested information on the company's dividend policy, its latest result presentations, and finally its main shareholders.

Esterhuyse and Wingard (2016, p. 224) found that although retail investors would be highly interested in the slides or recording of results (as well as other presentations), only a third of the companies in their study had this information available on their websites. For retail investors, the dividend policy information might be important for valuation purposes or for the future earning of dividends. Finally, although JSE-listed companies are required to disclose their major shareholders, specifically those with 5% or more interest (JSE, 2021), research (Wesson and Hamman, 2013) has revealed that this is not always consistently done. Similar results were reported by a 2021 survey of over 1 000 websites of companies around the world (Investis Digital, 2021); only 23% of companies provide a detailed shareholder analysis and only 31%, an archive of result presentations on their corporate website.

Three variables were used to quantify companies' e-mail handling performance: responsiveness, timeliness and relevance. Responsiveness was measured either as 0 (e-mail not answered) or 1 (e-mail answered). Timeliness was measured in the number of hours from when the e-mail was sent until a response was received from the company. If a company did not respond within two weeks of the first e-mail being sent, a reminder (second e-mail) containing the original e-mail with the three questions was sent. To ensure companies taking very long to respond did not distort the timeliness analysis of the study, a distinction was made between the total response time (first e-mail and reminder) and the response time before the reminder was sent (within two weeks of first e-mail being sent).

A ten-point scale was used to measure the relevance of the answers provided, with a maximum of six marks awarded for the first question pertaining to dividend policy, two marks for the second question that related to the latest result presentation, and two marks for the last question that asked for information about the companies' top five shareholders. Most of the marks were allocated to the first question as companies had to go into considerable detail in explaining their dividend policy in the e-mail. For the second and third questions, only two marks each were allocated as companies either provided the files or details, referred to the website or annual reports, or did not provide the information. Relevance scores therefore varied between zero and ten.

Complementary and mutually exclusives strategies. Companies in the mutually exclusive group are expected to strategically prioritise only one of the two communication platforms studied, as opposed to companies in the complementary group that prioritise both. In this study, a statistically significant positive relationship between the website score and e-mail handling performance was interpreted as complementary, and a statistically negative relationship as mutual exclusive.

Measurement of company characteristics

Company size (market capitalisation), directors' shareholding and profitability (return on equity) were obtained from the IRESS database, industry membership and dual listing status sourced directly from the JSE, and auditor status from the latest annual financial statements.

Method of statistical analysis

Depending on an analysis of normal probability plots, the results of either the ANOVA (normal distribution, parametric test) or Mann–Whitney (non-parametric) were used and reported to gauge statistical significance relationships between ordinal and ratio data. Similarly, either the Spearman (non-parametric) or Pearson (parametric) correlation coefficients were used and reported to test associations between variables measured using either an interval or a ratio scale. Relationships between two sets of ordinal data were explored and reported, using either the Chi-square or Fisher exact.

Results

This section is organised based on the four research questions set for the study.

Research question one (a): e-mail handling performance

The first research question deals with two separate issues, the e-mail handling performance of companies, and the relationship(s) between the underlying variables used to measure e-mail handling performance. The results of the three variables used to measure e-mail handling performance are presented in Table 1. Timeliness is measured in hours and relevance out of 10, as discussed above.

Responsiveness. Of the 77 companies, only 41 (53%) replied to the e-mail requesting the information. Of those that responded, 24 (31%) replied within two weeks of the e-mail being sent and the remaining 17 (22%) companies only after a reminder e-mail was sent (see Appendix 2). The response rates presented in Table 1 indicate that almost half (36/47%) of the companies did not respond to the e-mail requesting information, even after a reminder e-mail was sent. Even though the sample represented the 30% smallest JSE-listed companies, the response rate was very poor in comparison with Baard and Nel (2016) who found a response rate of 71% for a random sample of 102 JSE-listed companies and Hassink *et al.* (2007) who found a response rate of 76% for the 40 largest JSE-listed companies (see Appendix 1).

Timeliness. For the 24 companies that responded within the first two weeks, the mean response time (21.75 h) was considerably longer than the median response time (2.40 h) because some companies took a long time to respond. One company, for example, took just more than six days to respond while the quickest response was 13 min. This response time compares favourably to the results reported by Hassink *et al.* (2007) and Baard and Nel (2016) (see Appendix 1). It is interesting to note that of the 17 companies that responded after the reminder was sent, 10 responded within 24 h.

One possible explanation for why companies only responded after the reminder was that they might have perceived the e-mail from the mystery investor as spam or not a genuine request for information. Overall, when a company did respond, they responded very quickly. The majority (30/73%) of companies responded within 24 h.

Relevance. The mean and median relevance scores for the 41 companies that responded were 5.46 and 6.00 respectively. Three companies did not answer any of the questions adequately (score of 0) and three companies answered all the questions adequately (score of

	N	Mean	Median	Min	Max
Timeliness (first e-mail only)	24	21.75	2.40	0.22	147.63
Timeliness (first e-mail and reminder)	41	190.40	26.57	0.22	648.78
Relevance (first e-mail only)	24	5.13	6.00	0.00	10.00
Relevance (first e-mail and reminder)	41	5.46	6.00	0.00	10.00
Relevance (after reminder)	17	5.94	6.00	1.00	10.00
	N	Responded			
Responsiveness (first e-mail only)	77	24			
Responsiveness (first e-mail and reminder)	77	41			

Table 1. E-mail handling performance

10). A significant portion of the companies (17/41%) had a relevance score of 7 or more. Thus, when companies did respond, most of them responded with relevant answers.

Research question one (b): relationship(s) between e-mail handling performance variables
The first research question further dealt with whether any association existed between the variables used to measure e-mail handling performance. More specifically, if the timeliness and relevance of companies' responses varied significantly based on whether they responded to the first or second e-mail, and whether any associations existed between the timeliness and relevance of responses. Table 2 shows the results of the tests performed to examine this.

Companies that responded to the first e-mail ($N = 24$), responded statistically significantly ($p < 0.05$) timelier (mean of 21.75 h) compared to companies that only responded to the second e-mail ($N = 17$) (mean of 67.25 h). No statistically significant association ($p > 0.10$) was found between the mean relevance scores of the answers when comparing answers of the first and second e-mail. Although no statistically significant association ($p > 0.05$) was found between the relevance and timeliness of the 41 companies that had responded (Spearman $r = 0.23$ $p = 0.16$), it was noted that companies in general tended to answer more relevantly the longer they took to respond (similar to what was found in the Baard and Nel, 2016 study).

Research question two: e-mail handling performance, website score and contact method
As discussed, e-mails were either sent to an IR e-mail address or to a general e-mail address (including the two web enquiry forms). If an IR e-mail address pointed towards a dedicated person or team dealing with investor-related queries, we expected a higher e-mail handling performance for such companies. On the other hand, we expected that employees answering e-mails sent to a general e-mail address might be inclined to refer investors to the company's website or might not know how to answer the queries from investors or to whom to refer the queries. Table 3 summarises the results of the tests performed to answer the second research question. Descriptive statistics regarding the website score are included in Table 4.

The results showed that although companies that provided a dedicated IR e-mail address on average responded better (60% compared to 50%) and timelier (28.86 h compared to 47.4 h), the differences were not statistically significant ($p > 0.10$). However, the results also showed that the contact method used did have a significant effect on the relevance scores of the e-mail responses. Responses from a dedicated IR e-mail address

Table 2. Responsiveness, timeliness, and relevance

	Timeliness (hours) N	Mean	Test	Relevance (score) Mean	Test
Responsiveness (first e-mail)	24	21.75	Mann–Whitney $p = 0.03$	5.13	Anova F-test $p = 0.39$
Responsiveness (second e-mail)	17	67.25	Bootstrap $p = 0.04$	5.91	

Table 3. Association between contact method, e-mail handling performance and website score

	Responsiveness N	Rate	Test	Timeliness (hours) N	Mean	Test	Relevance (score) Mean	Test	Website score Mean	Test
IR e-mail	25	Yes (15) = 60%	Chi-square $p = 0.41$	15	28.86	Mann–Whitney $p = 0.88$	6.53	Anova F-test $p = 0.08$	20.48	Anova F-test p=<0.01
General e-mail	52	Yes (26) = 50%		26	47.40		4.85	Bootstrap $p = 0.04$	17.38	

(relevance score of 6.53) provided statistically significant ($p < 0.05$) more relevant answers compared to responses from a general e-mail address (relevance score of 4.85). Overall, these results therefore show superior e-mail handling performance from companies that provided a dedicated IR contact e-mail address as opposed to those that only provided a general contact e-mail address or web-form. It is noteworthy that Hassink *et al.* (2007) found no similar significant associations.

The results further showed that companies that provided a dedicated IR e-mail address are statistically significant ($p < 0.01$), more committed to the use of their website as communication channel (website score of 20.48) compared to companies that only provided a general e-mail address (website score of 17.38).

Research question three: e-mail handling performance and website score

The third research question examined the association between e-mail handling performance and companies' website scores. Although no significant associations were found between either companies' responsiveness and their website scores (Anova F-test $p = 0.89$) or between timeliness and website scores (Spearman $r = 0.07$ $p = 0.66$), a positive and highly statistically significant association was found between the website score and the relevance of companies' responses (Pearson $r = 0.58$ $p < 0.01$).

Overall, the results therefore provide some evidence of an association between the quality of asymmetrical and symmetrical communication. These findings are in contrast with the findings of Hassink *et al.* (2007) that no correlation existed between the sophistication of a company's website and the responsiveness, timeliness and relevance of the answers provided in response to e-mails sent to investors.

Research question four: company characteristics, e-mail handling performance and website scores

The fourth research question was intended to determine which company characteristics explain the variance in companies' e-mail handling performance and website scores, and whether there are any variables that explain both. Table 3 provides descriptive statistics for the disclosure score as well the company characteristics.

Tables show the results of the tests performed to examine the association between the six company characteristics listed in Table 4 and both e-mail handling performance and the website scores.

Size. As depicted in Table 5, only responsiveness was found to be significantly related to the proxy used for size, market capitalisation. It appears, therefore, that larger companies tend to have a higher response rate compared to smaller companies. One possible explanation is the availability of resources that enable companies to prioritise e-mail requests. These results support the Baard and Nel (2016) study that also showed

	N	Mean	Median	Std Dev	Min	Max
Disclosure score	77	18.39	19.00	4.88	8.00	31.00
Market capitalisation (ZAR million)	77	540.18	453.17	422.65	6.60	2174.81
Director shareholding (%)	77	24.93	18.21	22.02	0.00	93.71
Return on equity (%)	77	−21.58	6.22	136.94	−912.24	113.63
	N	Yes	No			
Consumer industries	77	29	48			
Primary industries	77	48	29			
Big-four audit firm	77	38	39			
Dual listed	77	7	70			

Table 4. Disclosure score and company characteristics

responsiveness to be statistically significantly associated with size (albeit for a different sample) but contradict Hassink *et al.* (2007) that found no similar results for the 40 largest JSE-listed companies.

Profitability

We expected that more profitable (as measured by return on equity) companies would have an incentive of getting out the "good news" compared to less profitable companies and would therefore have better e-mail handling performance. As in the case of size, the results in Table 6 show that return on equity is statistically significantly related to responsiveness (at the 10% or better level) but not in terms of timeliness, relevance and website score. Baard and Nel (2016), on the other hand, found no significant relationship between profitability and e-mail handling performance.

Dual listing status

Although no significant association was found between e-mail handling performance and listing status, as depicted in Table 7, companies with a dual listing status were found to have statistically significant (at the 5% or better level) better website scores.

Audit firm status

No significant associations were found between having a large audit firm and either the e-mail handling performance or website scores of companies, as is evident in Table 8.

Table 5.
Association between market capitalisation, e-mail handling performance and website score

	Responsiveness			Timeliness	Relevance	Website score
	N	Mean market cap	Test	Test	Test	Test
Yes	41	639.25 (ZAR million)	Anova F-test $p = 0.05$	Spearman $r = -0.02$ $p = 0.88$	Pearson $r = 0.14$ $p = 0.38$	Pearson $r = 0.15$ $p = 0.18$
No	36	427.35 (ZAR million)				

Table 6.
Association between profitability, e-mail handling performance and website score

	Responsiveness			Timeliness	Relevance	Website score
	N	Mean return on equity	Test	Test	Test	Test
Yes	41	5.34%	Mann–Whitney $p = 0.08$	Spearman $r = 0.17$ $p = 0.29$	Pearson $r = 0.21$ $p = 0.19$	Pearson $r = -0.11$ $p = 0.34$
No	36	−52.24%				

Table 7.
Association between dual listing status, e-mail handling performance and website score

	Responsiveness			Website score		Timeliness		Relevance
Dual listed	N	Response rate	Test	Test	Dual listed	N	Test	Test
Yes	7	Yes (3) = 43%	Chi-square $p = 0.56$	Anova F-test $p = 0.04$	Yes	3	Mann–Whitney $p = 0.63$	Not enough valid cases
No	70	Yes (38) = 54%			No	38		

Industry membership

As shown in Table 9, companies within the consumer industries' sector responded statistically significantly timelier (at the 10% or better level) compared to primary industry companies. As discussed in the literature review, companies in the consumer industries might have better e-mail handling performance as these companies may be more accustomed to e-mail requests from customers and retail shareholders. No other statistically significant associations were found.

Directors' shareholding

As shown in Table 10, directors' shareholding was found to be statistically significantly (at the 5% or better level) negatively associated with both relevance and website scores. Thus, companies in which directors have higher shareholding tended to respond less relevantly and disclose less information on their websites, compared to companies in which directors have less shareholding.

Conclusion

It has become widely accepted that all companies will have both a website and engage with stakeholders (including investors) via e-mail. Where both the use and benefits of having a website has been well researched, empirical evidence on companies' e-mail handling performance appears to be scant, and even more so, evidence on whether companies view

	Responsiveness			Website score			Timeliness	Relevance
Big four	N	Response rate	Test	Test	Big four	N	Test	Test
Yes	38	Yes (21) = 55%	Chi-square $p = 0.73$	Anova F-test $p = 0.31$	Yes	21	Mann–Whitney $p = 0.54$	Mann–Whitney $p = 0.81$
No	39	Yes (20) = 51%			No	20		

Table 8. Association between audit firm status, e-mail handling performance and website score

	Responsiveness			Website score			Timeliness	Relevance
Consumer	N	Response rate	Test	Test	Con-sumer	N	Test	Test
Yes	29	Yes (18) = 62%	Chi-square $p = 0.23$	Anova F-test $p = 0.41$	Yes	18	Welch F-test $p = 0.08$	Anova F-test $p = 0.78$
No	48	Yes (23) = 48%			No	23		

Table 9. Association between industry membership, e-mail handling performance and website score

	Responsiveness			Timeliness	Relevance	Website score
	N	Mean directors' shareholding	Test	Test	Test	Test
Yes	41	26.73%	Mann–Whitney $p = 0.37$	Spearman $r = 0.05$ $p = 0.74$	Pearson $r = -0.31$ $p = 0.05$	Pearson $r = -0.31$ $p < 0.01$
No	36	22.87%				

Table 10. Association between directors' shareholding, e-mail handling performance and website score

websites and the e-mail functionality as complementary or mutually exclusive. Given the diverse information needs of investors, the complexity of some websites in terms of navigation and the ease of finding information, and the opportunity for companies to improve stakeholder relationships, there is an argument that companies have a moral and ethical obligation to respond to investor queries received via e-mail. This is even more so, if they provide investors with an opportunity to do so by providing them with a contact e-mail address.

The aim of this study was threefold: to examine companies' e-mail handling performance, to ascertain whether companies' view websites (one-way/asymmetrical communication) and responding to e-mail requests (two-way/symmetrical communication) as mutually exclusive or complementary, and finally to gauge the strategic importance of retail investors.

Overall, the results of the study show that investors should not have a high expectation from companies in responding to their e-mails send. More specifically, the use of e-mail to engage with shareholders is being underutilised with only 53% of companies that responded to an e-mail request. Possible reasons could be that companies may be cautious not to reveal more information than what is generally available via other channels, such as the website. It is also probable that companies might perceive random e-mails from a potential retail investor as unimportant or not even real, as suggested by the fact that a large proportion of the companies in the study (17 of 41 that responded) only responded after a reminder was sent. As larger and more profitable companies appear to respond better to e-mail requests, a further reason for almost 50% of companies not responding, may be a lack of resources, which may stem directly from the absence of budget priority to IR. It is also possible that companies simply did not respond to the e-mail because their shareholders are either directors and/or other institutional shareholders, with an insignificant number of retail shareholders.

The results of this study show some support for this notion given the statistically significant negative relationship between director's shareholding and e-mail handling performance (relevance of responses) and the statistically significant positive relationship between being a consumer industry company and e-mail handling performance (timeliness). Finally, several companies may not have responded as they might have been busy finalising their annual results.

Our results further show that having a dedicated IR contact e-mail address is indicative of companies' commitment to the IR function. Such companies not only responded more relevantly to e-mail queries, but also better utilised their websites as communication channel. This study further provided evidence that companies view websites and responding to e-mail requests as complementary IR functions, but specifically where a dedicated IR contact e-mail address is provided, and only with reference to how relevant they respond to e-mail queries. Although the results are inconclusive in respect to responsiveness and timeliness, a mutually inclusive relationship could have indicated that companies who invest heavily in their websites, is of the opinion that no further commitment to investor queries is required.

Given the inaccessibility of some sources of information (often easily available to institutional shareholders) to retail investors, regulatory bodies concerned with upkeeping good corporate governance and shareholder activists should take note of the results of this study. Companies also have an ethical and moral obligation to respond to e-mail queries from shareholders. It is clear from the study that not all companies are fully benefiting from the use of Internet technologies in communicating with investors. One of the main objectives of IR managers today is not just to provide information to investors but to create long-term relationships with investors. By not answering the e-mails from potential retail investors the development of such relationships is hampered.

Considering evidence pointing towards the importance of both IR, as well as retail investors, an opportunity for a competitive edge therefore may exist for smaller JSE-listed companies to prioritise budget allocations to improve the quality of both asymmetrical (corporate websites) and symmetrical (e-mail handling performance) corporate communication.

The results of this study further creates an opportunity for standard setters and regulatory bodies (e.g. the Institute of Directors of South Africa and the JSE), as well as the Investor Relations Society of South Africa to inform and educate small companies on the benefits of IR. Finally, in the absence of a savings culture, and the high poverty rate, better stakeholder engagement with retail investors may perhaps also play an important role to address these issues in a developing country like South Africa.

As only the smallest listed companies were studied, generalisation of results may be limited to smaller companies only. Considering that two more mature communication channels were considered in this study, it would be worthwhile to further study the responsiveness of companies on social media platforms in creating long-term relationships with investors. Given the impact of the Covid-19 pandemic on how both companies, as well as people in general communicate with one another, future studies can utilise the pandemic as a natural experiment to explore the impact thereof on companies' use of their websites and e-mail to communicate with investors. Where companies may be hesitant to respond to an e-mail request from an unknown retail investor, it will be worthwhile to explore how companies will respond to e-mail requests from more influential stakeholders such as analysts, institutional shareholders, the media and regulatory bodies. Further research into IR departments may also reveal what problems they face in answering the e-mails from investors. This study also provides a baseline against which future results can be considered.

Notes

1. According to a 2017 report on the ownership of JSE-listed companies (National Treasury, 2017) private individuals (therefore retail investors) hold only 1% of the total market capitalisation of the Top 25 JSE-listed companies.
2. Analysts were asked to rate 24 non-financial factors, categorised in 9 categories. Execution of strategic plans and consistency of strategic plans were the two highest rated factors with availability and openness of IR staff in the joint third place with proactive agenda setting, both in the category "quality of communication".
3. Reference or links to a social media presence (e.g. Facebook, Twitter), e-mail contact of an IR officer, access to the promotion of access to information act (PAIA) policy and form, availability of result presentations in a PDF format and availability of a web or podcast of result presentations.
4. For practical reasons the 35 attributes are not listed in this paper but are available from the authors on request.
5. 83 minus 2 (no e-mail provided), minus 3 (e-mail blocked), minus 1 (non-functional web-form) = 77.

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Appendix 1

	Hassink *et al.* (2007)	Baard and Nel (2016)	This study
Sample selection	50 largest listed companies (based on market capitalisation) in Australia, Belgium, France, Netherlands, and the UK and 40 largest companies in South Africa	102 JSE-listed companies based on random selection	Smallest 30% of JSE-listed companies (based on market capitalisation)
Median market capitalisation	€3,682 million	R2 925 million	R453 million
Return of equity	Not calculated	12.57%	6.22%
Contact method used to contact company	To IR department e-mail or web-form on IR section of website: 206 (81%) To General e-mail or web-form: 47 (19%)	To IR department e-mail: 35 (38%) To General e-mail or web-form: 57 (62%)	To IR department e-mail: 25 (32%) To General e-mail or web-form: 52 (68%)
Data collection	E-mail or completion of web enquiry form in 2001/2002	E-mail or completion of web enquiry form in 2014/2015	E-mail or completion of web enquiry form in 2018
Questions asked	(1) Foreign sales and external auditor (2) dividend policy	(1) dividend policy (2) current debt rating (3) use of social media	(1) dividend policy (2) pod or webcast latest result presentation (3) top 5 shareholders
Responsiveness (first e-mail only)	115 (46%)	40 (44%)	24 (31%)
Responsiveness (reminder e-mail only)	61 (24%)	25 (27%)	17 (22%)
Responsiveness (first e-mail and reminder)	176 (70%)	65 (71%)	41 (53%)
Timeliness (first e-mail only) (median)	7.24 h	4.84 h	2.40 h
Timeliness (first e-mail and reminder) (median)	Not calculated	150.50 h	26.57 h
Relevance % (first e-mail and reminder) (median)	75%	75%	55%

Table A1.

Appendix 2

E-mail content – Questions asked

Dear Sir or Madam

I am considering an investment in your company. Could you please answer the following short questions or provide the following information: (Please forward the request to the appropriate person if needed.)

(1) Do you have a dividend policy, and can you elaborate on it?

(2) Please send the file or link to your latest pod or webcast of your last annual results presentation (or if not available, a copy of the PDF slides or similar documents that were used).

(3) Who are your most significant (top 5) shareholders and what is their percentage shareholding?

Your cooperation in this matter is greatly appreciated as I cannot find this information in your annual report or on your corporate website.

Kind regards

Rory Duncan

Reminder

Dear Sir or Madam

I have recently sent you the following e-mail but, as yet, I have not received any response. I appreciate that you must be very busy, but could you please spare a few minutes to reply to my short questions.

If you are unable to answer my queries, I will appreciate it if you could refer me to the appropriate person in your company and/or a third party who could provide the information.

THank you.

Kind regards

Rory Duncan

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