

Meeting Investors:

# Telepresence is Changing the Dynamics

BY JOHN SCHOGER

When you hear the word *telepresence*, is the first thing that comes to your mind *video conferencing*? If you are like the majority of people — and most IROs — right now you are visualizing a camera perched on a dusty 32-inch Sony, unused and taking up space in your conference room. For the sake of this discussion, push the entire AV cart out the third-floor window.

So — what is telepresence, how does it differ from videoconferencing, and how will it affect your day-to-day role in IR? After conducting a straw-poll recently with IROs at several large-cap multinationals, I found that the majority of respondents were unfamiliar with telepresence or perhaps had heard of it but had no direct experience. Only a small percentage of the IROs I spoke with had telepresence systems in-situ or have used it to augment their IR program.

## The Fundamentals of Telepresence

Telepresence is basically video conferencing on steroids. Utilizing technology to account for depth perception and moving audio, the higher-end systems (such as Polycom RPX, Cisco TelePresence, HP Halo, and Teliris Virtualive) typically include three or four large HD screens, an array of cameras and microphones, embedded monitors to share data, and seating for six or more attendees at each location. Furnishings, lighting and even the paint on the walls are kept consistent by vendor to give the appearance that you are in the same room as the other users. Multipoint functionality allows for more than two sites to be included in a conference at one time and audio receptors can switch individual screens to show to the current speaker. Smaller single-screen systems are also available for remote or mobile locations.

“Traditional video conferencing has inherent faults,” explains Howard Lichtman, a leading telepresence consultant and author of the *Inter-Company Telepresence and Videoconferencing Handbook*. Lichtman shares this insight: “When relating with other people, the human brain has certain innate expectations with respect to interpersonal communications. It expects eye contact from the subject, it wants the person to appear life-size and the voice to be synchronized. The latest telepresence systems address these factors and allow your brain to disengage from paying attention to the medium and to focus on the message.”

System utilization rates attest to the vast increase in system quality and overall experience. While traditional video conferencing utilization rates hovered around five percent, telepresence systems often see utilization rates of 60 percent or higher. What’s more, users of telepresence leave the meeting feeling as if it was as valuable as an in-person meeting. This is generally not the case with traditional video conferencing equipment.

There are many factors affecting price, including networking, usage and hub fees to connect disparate systems, but typically, the costs range from \$50,000 for a stand-alone unit to more than \$500,000 for a large capacity multi-screen room. Public rooms can be rented from \$300 to \$900 an hour.

For a company as a whole, the benefits of being able to link multiple offices, connect with customers and vendors or collaborate with partners is invaluable — and the cost savings can be enormous. “As a result of the technology, we’ve saved almost \$400 million in travel since launch just over three years ago,” says Matt Tractenberg, IR Manager with Cisco. “Our travel



budget was essentially cut in half in FY09 and we were able to increase the amount of face time with customers and investors.”

## Getting Your Story to Investors with Telepresence

What IROs should know: Getting a clear message across to investors will change with telepresence capabilities, and this technology will dramatically affect the way that many of you manage your IR program over the next five years.

One European-based pharmaceutical finds it hard to get management to travel to the U.S. for meetings. Solution: To use their HP Halo system to host one-on-one meetings for the buy side by inviting them to a Halo room located at one of their own research centers. The company does not plan to build their IR program *around* telepresence, conceding it will not completely replace face-to-face meetings, but finds it a very useful tool that is only in its infancy.

In our experience at Voyager, we have acted as a facilitator, arranging meetings between Cisco’s IR team and our Midwest institutional clientele. Using multipoint functionality, we have simultaneously connected Cisco to investors in Pittsburgh and Columbus and, on another occasion, Minneapolis and Cincinnati. With no more than six people per location, the meetings are intimate enough to feel like a one-on-one, but broad enough for the IRO to productively reach five to ten institutions in one hour.

## The Cisco Experience

As leaders in applying telepresence to IR, Cisco consistently connects non-U.S. investors to U.S.-based management and non-U.S. executives to U.S. investors and finds it a very successful model. Matt Tractenberg comments that, “We have now moved to holding several of our quarterly earnings review calls with our investors via TelePresence. The reaction has been out-

standing.” He continues, “We’re in the process of planning a ‘Virtual Investor Series’ for the spring to bring our global theater leaders in touch with U.S. investors. It’s a first for us and something we’re excited about.”

Intel Corporation, which also utilizes Cisco TelePresence, has linked their management team in Santa Clara with investors in Chicago by taking advantage of Cisco’s offer to allow customers to borrow its own network of telepresence rooms (other vendors do the same). Peter Schuman, IR Manager at Intel, said that although the meetings were very productive, he worries that, until the buy side have their own systems in place, “It might be hard to get them (buy side) out of their office. By the time they drive to the local Cisco field office, have the meeting and drive back to work, you are looking at a minimum of two hours.”

## Telepresence Will Become an Integral IR Tool

Different networks, protocols and scheduling systems unique to each telepresence system, along with security concerns, have made connecting these disparate systems a challenge in the past. New exchange intermediaries have emerged in the last couple of years that have solved these problems. Now, as companies have more freedom in choosing systems, the adoption rate will increase dramatically. As an appendage to the C-suite, IR will become a primary beneficiary of the technology and — within the next five years — telepresence will become an integral tool for almost every IR program, allowing you to effectively reach significantly more investors in less time while spending fewer dollars.

Only a handful of institutions — including Goldman Sachs Asset Management and J.P. Morgan — currently have systems in place and actively use telepresence to reach management. But, that may change: initiatives are underway to create a financial telepresence Community of Interest Network (CoIN) that

will connect the buy side to the sell side and the C-Suite.

One such initiative — ConnectFN — is being developed by the team behind NetRoadshow. This managed service that is being offered in pilot would bundle a five seat Cisco TelePresence System with the network and managed services required to operate the system without impacting the corporate network or IT department. The complete cost will be less than \$15,000 per company per month. The question is whether portfolio managers would prefer to read about company news on a licensed-based Internet site or be able to speak face-to-face with company executives for approximately the same price per seat as Bloomberg. When the network launches in the second quarter of 2010, the system will be connected to an initial network of eight institutional investors and mutual funds and two major New York investment banks, and will eventually include corporate customers as exchanges are interconnected.

The biggest challenge in the future may actually be how you manage and *limit* your telepresence corporate access program, similar to how you must currently manage the abundant requests for roadshows. It may be just as hard to say *no* when every buy-side analyst asks, “Can you connect me to your CFO on telepresence? I only need one hour.”

Until that day arrives, IROs will continue to schedule their road shows according to today’s norms — and forward-thinking IR professionals will be planning their Telepresence strategies. IRU

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