

HOW VIRTUAL REALITY COULD AFFECT INVESTOR RELATIONS



For those connected to the financial markets, much of 2017 has been taken up with quantifying, analyzing and preparing for compliance with MiFID II. Outside of the financial markets though, where any mention of MiFID II is likely to elicit a confused shrug of the shoulders, many businesses have been wrestling with an alternative challenge - **what the rapid advancements in a host of new technologies will mean for their business models and the way they operate?**

The extent to which new technology will disrupt the existing ways of conducting business is something that is well covered by the mainstream media, but as we move into the end of the year, typically a time to look forward, here at WeConvene we wanted to examine whether any of these new technologies are applicable to Investor Relations? And importantly whether they can be leveraged by IR teams looking to be leaders in their field?

In this first paper in our series examining new technologies, we will look at **Virtual Reality (VR) technology**, starting with some background on what it is, analysis on whether it has any applications in the daily life of an IRO (now or in the future) and the barriers to adoption.



What is VR technology? ▸

VR is one of a wave of new technologies that are aimed at shaping the way we live, meet, and experience the world. VR technology uses headsets to generate realistic images, sounds and other sensations to make the user feel like they are physically present in a virtual or imaginary environment. Essentially a user is able to "look around" a virtual world and interact with certain features.

The concept of VR was dreamed up as far back as the 1950's, with some early models released in the 90's and early 00's but VR only properly came to market in 2015/16. Although the first models were targeted primarily at gamers (with prices that reflected that), the main producers are now targeting a much wider audience. This is still an industry very much in its infancy, but after a long period of dreaming and waiting, the technology has now reached the stage where computers are powerful enough to render realistic virtual worlds and the user experience is improving rapidly.

Due to the purchase of Oculus by Facebook in 2014, the Oculus Rift is probably the most well know VR headset and along with the HTC Vive, represents the best in the market right now.

There are though a number of companies investing heavily in VR technology, led by, Google, Apple, Amazon, Microsoft, Sony and Samsung who all have dedicated VR and Augmented Reality (AR) groups. According to the International Data Corporation (IDC), global revenues in the VR and AR market reached almost US\$14 billion in 2017 and are forecast to hit US\$143 billion in 2020, so this is clearly a market that is growing rapidly and building a dedicated consumer base.¹

So, why has VR gained such rapid traction among consumers and why are the leading technology companies investing so heavily in this technology? In essence, the technology engages the user to a level other media cannot attain. When users of VR are asked to describe the experience their most common response is that it is "indescribable", which is primarily because VR adds another sense, **proprioception**, which can loosely be described as "presence". If looking at a TV screen is like looking through a window at tree, then VR is like going outside and standing in the forest. The potential of VR is so large because it has the same potential as television had versus radio - it adds a new sense to our range of digital experiences.

1. <https://www.idc.com/getdoc.jsp?containerId=prUS42331217>

Beyond entertainment ▶

Virtual reality technology is rapidly expanding beyond the entertainment market into fields as diverse as education, healthcare, engineering, art and marketing. The ability to create a fully immersive, interactive and intuitive experience means there is no shortage of examples of how VR can reshape our existing ways of doing things. Just a small set of current usage examples include; its use in healthcare clinical therapy to treat anxiety disorders such as post traumatic

stress disorder (PTSD) and phobias; use by the military as a way to provide learners with a virtual environment where they can develop their skills without the real-world consequences of failing and as a tool to assist the product engineering and manufacturing engineering process for automotive, aerospace, and ground transportation original equipment manufacturers (OEMs). Another very easy use case to imagine is in real estate where Sotheby's has already started to show homes in VR, something which has the potential to massively disrupt

the real estate commissions market, a market worth US\$52bn in the US alone.² Already companies such as Lowe's and IKEA are developing systems that allow their products to be seen in virtual reality, to give consumers a better idea of how the product will fit into their home and completely transform the shopping experience.³ As the technology advances, price points will decline and the marketplace of applications (both consumer and business) will continue to expand exponentially.

Virtual Reality and Investor Relations

So, what does all this actually mean for Investor Relations? Well, to be frank, at the moment not very much. Despite the rapid advancements in technology and increasing user numbers, this is still niche technology and producing content requires time, effort and money. But as adoption grows and we look to the future, there are a few interesting potential applications in the field of Investor Relations.



Site visits

As research has become commoditized and asset managers seek ever more bespoke interactions in order to gain unique insights into a company's operations, increasing value is being put on site visits. Whether it is a factory or R&D center tour or a store visit, the opportunity to take a first-hand look at a company's operations with in-depth commentary from the Investor Relations team is an important part of the investment process for a growing number of Portfolio Managers (PM's). The challenge for PM's and Analysts is the time and cost required to commit to these trips - the majority of facilities are located well away from the major financial centres, so a visit to a company's operations is a major undertaking, involving flights, complicated logistics and valuable time spent out of the office. Likewise, these tours are also a time-consuming endeavour for the investor relations team and executives tasked with hosting the individual PM's and Analysts. On top of this, for the companies where demand for these tours outstrips the capacity of an IR team to host, inevitably there will be a number of disappointed potential investors.

The use of VR in this context takes away the pain of organizing these bespoke tours and significantly widens the potential audience. The IR team could produce detailed tours of their operating facilities, overlaid with expert commentary and pertinent financial details. As an example, it is easy to imagine the value to an investor of being able to walk around a factory floor at their own pace, focusing on each element that is of interest to them and pull down audio descriptions from the factory floor manager alongside financial details on the cost of operating the factory and the specific contributions to operating margin - all from the comfort of their own office at a time that is convenient to them.



Large investor events

Similar to the issue with site visits above, attending a large investor event often requires travel and time. There has been a welcome trend to webcast or provide conference audio for these type of investor events which opens them up to a wider audience but these mediums are still lacking in the key element highlighted at the beginning of this article - **proprioception (sense)**. With any interaction with a company, PM's value the ability to take the sense of a room - how are their peers receiving the information? Is the mood in the room positive or negative? How is the body language of management? All these elements are impossible to accurately gauge via watching a webcast or being on the end of a conference line, but will be entirely possible with VR, massively increasing the value to a PM.



Product run-throughs

One thing we haven't mentioned thus far is the use of **haptic technology**. Haptic technology, recreates the sense of touch by applying forces, vibrations, or motions to the user and will be familiar to anyone who has seen images of users wearing futuristic gloves when using VR technology. This type of technology could be leveraged for more detailed product demonstrations allowing remotely located investors to touch and feel products that are otherwise inaccessible, while receiving an in-depth description from the product management team and of course, overlaid with detailed cost of production and predicted revenue numbers. These kind of immersive experiences are a potentially powerful way to really bring the company story to life for an investor new to the company.



Barriers to this becoming an integral part of the IR offering ▸

Although in theory the applications highlighted above sound interesting, they are still some way from being a reality in the daily life of an IRO. Although the technology to facilitate the types of interactions above, largely exists today, there are a number of barriers to its widespread application in these ways. Producing content is still currently a challenge for the average person, a user requires hardware that is some way beyond the standard issue corporate PC and also needs a high level of technical skill to actually produce quality content. Our view though is that this will start to change quickly, similar to how the cost to produce a video has now fallen to the point where children can shoot and edit something on their phone and publish it to YouTube, VR authoring technology will rapidly reach a similar point.

The biggest barrier that we see is widespread adoption of the technology by those in the financial industry. Financial institutions are notoriously slow adopters of new technology and we don't see this being any different with VR. Even if investor relations teams are at the point where they can produce quality content for minimal cost and time, they are still reliant on PM's being equipped with VR hardware to consume that content - our view is that even as the price of a good quality headset continues to come down, adoption by those in finance will lag many other industries.

Don't start ordering the headsets just yet ▸

It is clear to us that in the coming 5 years, VR will disrupt existing markets and reshape many of the ways we do things. We also believe that in the long-term it presents an exciting opportunity for Investor Relations teams to present their company in a new and innovative way, while simultaneously opening up investor experiences that are today quite exclusive, to a far wider audience. That said, this is still very much a long-term vision and even as the technology becomes more accessible and ingrained in our everyday lives as consumers, adoption among financial institutions is likely to remain slow, which unfortunately presents a significant challenge to even the most forward thinking IR teams.

About WeConvene

WeConvene was founded in 2012 by former investment professionals and IT experts who made it their mission to address the costly, inefficient process of managing corporate access and analyst marketing events.

Want to learn more?

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2. <http://www.sothebysrealty.com/eng/virtual-reality>

3. Goldman Sachs; Profiles in Innovation, Virtual & Augmented Reality; January 2016; Page 3