

Shareholder Engagement

How Demographic Data Can Support Shareholder Engagement Strategies

By Sharyn S. Bilenker

The trend toward greater engagement between directors and shareholders continues to gain momentum. Engagement is becoming more data-driven, particularly with retail shareholders who, as a group, hold nearly one-third of the shares of U.S. companies. With more pressure on director elections, opposition to a growing number of say-on-pay proposals, proxy access, and heightened levels of activism generally, the stakes have never been higher for many companies.

A Broadridge analysis of shareholder meetings held between Jan. 1 and May 15 found an increase in the number of directors failing to achieve majority support and an increase in the percentage of companies that failed their say-on-pay vote. Understandably, many directors and executives are looking to better understand the behavior and characteristics of all their shareholders to better engage them in the corporate governance process. When a company knows more about its retail base, it can better tailor communications to this often reticent segment.

Until recently, there was little information on the demographic and behavioral makeup of retail shareholders who, as a group, vote only 30 percent of the shares they own. To fill this information

gap, Broadridge matched proxy data to a leading source of market and credit information to develop a better picture of retail shareholders.

In aggregate, the majority of individual shareholders are married and live in suburban areas. They have established families with grown children, although it is not unusual to find at least one young adult living at home. Their primary residence is valued at just over \$400,000, on average. As consumers, their annual discretionary spending averages over \$25,000, much of which is spent to support a socially active lifestyle. U.S. shareholders are comfortable buying products online, they prefer to wear designer labels, and they purchase a mix of trusted brand-name and luxury goods. More than 40 percent are likely to purchase or lease a new automobile within the next six months.

Moreover, more U.S. investor households lean Republican than Democrat—38 percent and 31 percent respectively—and they are also strong advocates for social causes. In addition, 78 percent of investor households consider themselves environmentally friendly, and, when given a choice, they lean toward products that are environmentally conscious.

Why might companies and directors be interested in

understanding the demographic makeup of their retail shareholders? As each company learns the specific attributes of its shareholder base, shareholder engagement efforts and communications can become even more attuned and tailored to the needs of a company's actual shareholders.

Proxy delivery and packaging can be enhanced with targeted multichannel communications. For some shareholders, the communications might highlight new products and services or show how executive compensation is tied to the company's strategy. For other shareholders, communication efforts might include social media to foster brand loyalty. Given that retail shareholders as a group fail to vote nearly 70 percent of the shares they own, greater engagement and participation can be meaningful to the outcome of an annual meeting.

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Political Party Affiliation and Environmental Awareness of Retail Shareholders of U.S. Companies

Republican
38%

Democrat
31%

Green Aware*
78%

*Measured as those who, when given a choice, lean toward products that claim to be environmentally conscious.

Source: ProxyPulse
Mid-season 2016