

Is Anybody Listening Out There?

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Introduction

In a bear market, with many public biotechnology companies victims of negative enterprise value, and private companies facing down- rounds, is there any value in keeping up the newsflow when the market has turned deaf and biotechnology is viewed as a sector that's been oversold? This is the very time biotechnology companies should keep communication channels open, to ensure there is a "message audit trail" when interest picks up again. It is also possible to maximise direct methods of communication without relying totally on the public media. "Whispering loudly" is a phrase that maybe sums up the approach.

A public relations company formed in the early 1990s wrote in its brochure, "It's a noisy world out there and your company needs to be heard above the crowd". That was then. If a company had some news, then investors listened and bought or sold its stock accordingly. This is now. In the closing months of 2002, there are scarcely any investors left to listen and those that are still hanging on are taking no notice.

Does this mean that companies should fire the public relations (PR) agency, stick to twice yearly financials and call a news blackout?

The current state

Quoted companies in the bear market of 2002 are suffering from a new syndrome – negative enterprise value. Oct 9 saw Oxford GlycoSciences (OGS), the UK's leading proteomics company with its first drug into the clinic and many industry contracts under its belt, insulted by a market cap of £83.6M when it was sitting on cash of nearly twice that, namely £150M.

This is damaging for investor faith and means to a fund manager that it is probably not worth keeping that company even as a small constituent of a portfolio. Said David Toms, analyst at Altium Capital, in *The Times* on Oct 11, "It's a statement by investors that they do not believe management can turn one pound of cash into one pound of value. The conclusion might be that the market is finally admitting that it was wrong to let these companies ever issue shares." Investors are discounting the next year's cash burn from the market capitalisation as a high-risk premium.

Letting this situation continue also filters through to the whole business environment and damages credibility with customers and suppliers. Said David Lis of Morley Fund Management, in the same article, "The customer thinks shares are so low, the company probably won't be around for much longer. Why do business with them? That would compromise a company's ability to become profitable."

This market is therefore testing the inventiveness of management in more ways than one. The old business models need a shakedown. It's time to get the business development guys in and draw the PR agency closer into the decision making process; they are the company's window on the world and can help assess which activities are going to add value. A specialist PR agency has experience of several companies and the upturns and downturns in the sector, whereas management is just sitting inside one bubble.

Catalyst needed

Negative enterprise value is not entirely new: many players in the UK will remember the "post British Biotech" years of 1996-1998. Says Bioscience Managers' Jeremy Curnock Cook, who has been called on to advise several biotechnology companies caught in the negative value trap, "Some companies may simply be forced to return cash to shareholders. But there are alternatives: this is a time for creative management thinking and finding that catalytic event that spawns a valued activity."

Cambridge-based business adviser, Meredith Lloyd Evans of BioBridge, agrees, but adds, "A lot depends on cash-burn. If there really is a stash under the mattress, then I think it's time to take a leaf out of the chequebook of the great British consumer, who has kept the economy afloat during difficult times. Retune your strategies away from thinking pipeline and think bottom line."

He continued, "Business pressures have left many smaller outfits struggling for survival, but it would be a great shame if their technologies went to waste. Go shopping for those near-market or neglected drugs that can be bought, tweaked, and turned into a profit stream, while your in-house innovations come to the boil. That sort of movement isn't just music, it's a symphony to investors' ears."

Biopharmaceuticals executive search expert, Andersen Piquet's Sue Harris, confirms that many companies are taking this route, "In 2002, we had the busiest August to date. And one particular role kept coming up, that of Business Development Director. The switched on companies are realising this is no time to let the grass grow and they are looking for people who can convert pipelines and built-in expertise into near-term profit."

Changing the picture

However sad the market looks, the smart companies will realise that every situation is an opportunity. It's time to sit down with communications advisers and hatch a new plan. Involve them in business planning. That is the way to optimise the effectiveness of newsflow planning by allowing them to see ahead.

Random issuing of news releases without an overall plan or even timing down to the optimum day of the week is just casting

bread on the water. The PR agency was hired to see the bigger picture - use them. Put together a company communications strategy committee just as one would in times of crisis, such as a hostile takeover bid or failed clinical trial.

In Lloyd Evans' view, "In the current climate, we have to treat hungry biotechs as if they were fast-moving consumer goods companies. Without creative and targeted newsflow, they will simply not keep their profile high enough for their customers [read investors] out there to remember they exist. The companies that survive will be those who fix themselves in their customers' minds as vibrant and going places, able to take advantage of the seemingly adverse environment."

If newsflow is limited, as it often is, then one needs to be creative to ensure that one gains share of voice and a market position in a way that is not seen as puff or hype. Well-connected PR advisers will be tuned into the external environment and will be able to advise on opportunities to provide feature articles or topical comment. An example would be recent work for Solexa, a Cambridgeshire-based company developing revolutionary technology with the aim of being able to sequence all of our genomes for "\$1,000 in 24 hours". Solexa's Chief Executive Officer (CEO) Nick McCooke tells the tale, "When Craig Venter entered the \$1,000 genome arena with his new research centre, Charles Consultants (now Northbank Communications), our PR advisor, was able to rapidly capitalise on the opportunity to raise Solexa's profile and be seen as one of the leading and most exciting companies in this arena. As a result of their proactive media outreach, we have been featured in key trade press, in the British national press and have been part of leading stories on BBC and CNN online. It's very impressive, but also a little scary, how a proactive communications strategy and good media contacts can rapidly raise your profile." So even in these tough times, good PR pays.

Love one's investors

The best investors – like the best customers – are the ones that one already has. This applies equally to the small start-up with one or two funds backing them to the quoted mid-cap with a raft of investors. Don't let the doom merchants in the media dominate their thinking.

Talk to them and often. Emails and news updates are a great medium; sitting them in the same room can work well if orchestrated carefully; and keeping websites lively and up-to-date is crucial.

Conference opportunities need to be part of the newsflow plan. They should be thoroughly researched for investor and clinical emphasis.

Make corporate messages clear and make technology sparkle. Companies are still failing to translate their science into terms to which the lay audience can relate. *The New Scientist* is a highly respected medium, but it is not afraid of making science simple and fun for its readers.

"It's no good waffling on in terms the layman can't understand," says *New Scientist's* Andy Coghlan. "Assume zero knowledge at the start of an interview and good journalists will guide you to the levels of detail they want for their own publication. And if you feel uneasy about answering a question, either because you genuinely don't know the answer or because you fear giving away too much, politely say you'd rather not answer it. Most journalists prefer honesty to obfuscation."

Clive Cookson, science editor on the *Financial Times* also reiterated the vital importance of communications in a recent presentation to London's biotechnology community, "If you are a small private biotech company, why should you bother with the media? Isn't it better to lie low, quietly doing your research and development, raising funds and doing deals, away from the prying eyes of journalists? After all, we're bound to get your story wrong and misrepresent what you're doing, aren't we? The answer is that if you're ambitious and you want your company to grow fast, you have to take the risk."

The benefits can be wide ranging, he explained: "Publicity can be extremely beneficial for staff recruitment – remember, there is a shortage of really bright, young scientists wanting to join fast-expanding biotech companies, and potential recruits are more likely to join a company they've read about than a complete unknown. Media coverage is even more important for fund-raising. Although any financial institution putting money into a small private company will go through the 'due diligence' process, investors are influenced by publicity."

Stay private, act public

The classic business mantra of the 1980s and 1990s was "think global, act local". In these bear markets, perhaps the new mantra should be "stay private, act public". As companies stay private longer and look for both traditional private equity as well as creative financing routes, that is no excuse for not adopting a candid approach to communications. If the numbers create an audit trail for more traditional companies, communications can create an audit trail for biotechnology companies. When (if!) the company comes to list on a public market, investors can ask the questions "can I trust them", "do they deliver on their promises", "is their strategy coherent and is it delivering value". How and what has been communicated in the past can help answer these questions. Of course, private companies do have the luxury of being able to take their own decisions about what they communicate and when. Use this as a luxury, but not as an excuse for a communications blackout.

Make friends with the media – you need each other

Even if there is no immediate news and no immediate column inches in sight, companies should use this time to build a circle of friends in influential media against the day when things pick up and the media want to write about them. It is also more likely to happen to companies that the journalists already know and understand about.

Clive Cookson reiterates this point from his perspective, “When planning your media relations, the most important thing is to build up a good long-term relationship with journalists. Make friends with them (though remember that good journalists will resist developing TOO cosy a relationship with any organisation they cover regularly). Help journalists write stories about your company or research field. Feed them information, on and off the record. Then, when you have big news – whether it’s a crisis because your leading product fails in Phase III trials or a triumph when you get your first FDA approval – you’ll get more sympathetic coverage. Although we do of course aim to make every story fair, accurate and balanced in its own right, it is human nature for journalists to write nicely about companies that are always friendly and open – and nastily about those with a reputation for secrecy or arrogance.”

Private companies should also focus on business and trade media that reaches potential collaborators. Make one’s media selection more targeted. Distribute as always, but cultivate the media that hits the targets and is not, itself, relying on dwindling ad revenues for its survival.

Use the advertising budget strategically by following media coverage with advertising, such as a job advert or exhibition date. It’s important not to desert the media because they will be needed in better times.

Go direct

It is however a reality that as advertising slows, in a downturn, the pages in national media reduce and the chance of gaining editorial is made harder.

Remembering that media relations is a means to an end – influencing those people that count – think hard about with whom it is that one needs to keep up a dialogue. The company’s own newsletter, whether electronic or hard copy, allows another way of being heard. It bypasses the media and, at the same time, demonstrates a commitment to backers, whether investors, collaborators or customers. For public companies, a newsletter that circulates twice a year between interims and finals introduces a quarterly reporting discipline and ensures that one is forced to think of something to say at least every three months even if one doesn’t feel very talkative right now.

In conclusion

The media and the business advisers seem to be in accord that if companies are going to grow, they have to be prepared to take some risks and keep communicating their news. However, with the right communications advice, the risks can be lessened and the messages made both timely and topical. That trail of coverage in the low times should lead into the spotlight in the better times, when everyone starts jostling for attention.

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