

TOWER OF BABEL RETAINS HOLD ON NORTH AMERICA, CREATING GIANT PR PROBLEMS

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Will the disintegration of Canada's politics -- and potentially of the nation -- give new steam to the unilingual movement in the US? Threat that Quebec

will pull out is motivated by its different language and, therefore, culture.

1. US English & other groups claim current immigrants, great majority of whom speak Spanish, could have same disruptive impact on gov't stability -- unless nation adopts an official political language.
2. Giving even more prominence to the issue is pending federal legislation to let Puerto Rico vote on whether it wishes to become a state. While English is used by many there, primarily the business community, the lingua franca is Spanish. Vocal in these discussions is the 2.5 million mainland Puerto Rican community, almost as populous as the island (3.2 million).
3. Bilingual education, touted as an answer, is now attacked by many Hispanic parents, who feel it makes school soft for their children -- which means they fall behind & become a permanent under-class.

Language/culture difference calls for top quality pr techniques -- since problem is basically perceptual rather than factual. How would Americans feel about a new state that speaks Spanish? The same way Quebecois feel about the "inequalities" they suffer among 9 English-speaking provinces? Will tactics reach the usual low, such as automatically accusing unilingual supporters of being "prejudiced"? Or of Quebec violating Meech Lake with a law that all signage must be in French? PR pros must be the voice of reason here: human relationships come first.

Canada has until June 23 to ratify the Meech Lake accords, by which all provinces agreed to a compromise with Quebec. Now 3 provinces refuse to ratify them. The CPRS annual conference this week in Regina should be exciting!

IMPORTANT ITEMS FOR PRACTITIONERS

- ¶ Strategy & Semantics Got Barbara Bush Thru Her Wellesley graduation speech, despite furor over her housewifely career: "Who knows? Somewhere out in this audience may even be someone who will one day follow in my footsteps & preside over the White House as the president's spouse, and I wish him well."
- ¶ Strongest Evidence Ever Of How Little Power Information Has On Behavior comes from latest in 15-year series of studies on sexual practice of college females. Despite continual barrage of warnings about AIDS, herpes et al, their behavior hasn't changed: nearly all report being sexually active, 1 in 5 with more than 6 partners. Except for an increase in condom use (up 20% since '86) "public health campaigns have not had a substantial influence on the habits & behavior of these well-educated young adults."

INVESTOR RELATIONS PROGRAM GAINS CREDIBILITY FOR SMALL COMPANY BY USING PERCEPTION MANAGEMENT TECHNIQUES; INCREASES MARKETABILITY OF STOCK & PRODUCTS DESPITE UNEXPECTED CRISIS

The Nature's Sunshine Products (Spanish Fork, Utah) enjoyed a 25% annual growth rate, low debt & consistent earnings growth, it wasn't thriving as a stock option. In fact, it was virtually unknown to the investment community. In January, stock was trading in the low \$6 range with a p/e (price of stock divided by earnings) multiple of 10 and a thin float of 2.5 million shares -- making it a "hard sell" to institutional investors. Nature's wanted to increase visibility, particularly among institutions, and maximize the stock price.

- PERCEPTION PROBLEM**
- A) Company's lack of popularity on Wall Street was partly due to the "snake oil" reputation of the herbal product industry. "The problem is that there are a lot of small, fly-by-night herb companies out there which don't pay attention to quality control, testing, etc," Shirley Jemison, vp Carl Thompson Assocs, a Salt Lake City firm specializing in financial relations, told pr. "A lot of financial people have a problem with the concept, even tho Nature's has PhDs on staff & highly regulated testing methods."
- B) Nature's is a multi-level marketing company, which means, like Amway & Mary Kay, products are not sold in stores but thru private distributors. Some perceive the concept as money-mad & companies which use it as comprised of get-rich-quick schemers and desperadoes. Obtaining respect from investors would therefore be a challenge.

CTA's PROGRAM First task was apparent: convince Nature's of the need for an IR campaign. Result was a budget of \$113,156, excluding printing -- big for the client, small as IR goes, especially this case. Next, anonymous telephone audit of investors uncovered their biases & misperceptions (again, "snake oil," "money hungry," "shaky & unreliable" were evoked descriptions). Then, year-long program -- an IABC Gold Quill Award winner -- was planned, with these objectives:

1. **Raise p/e multiple** to be more in line with Dow Jones average;
2. Increase company's **institutional ownership** & number of market makers;
3. **Get industry newsletters, reports** to recommend Nature's as investment;
4. Increase number of **national media placements**.



IMPLEMENTATION 1. **Unusual annual report** borrowed an idea from Rolling Stone magazine, showed "perceptions" of the company (a cash pyramid with \$1-bills on bottom as the concept means lots of money for guys on top, measly amounts for little guys supporting the structure) vs. "realities" (a real pyramid in Egypt: "Ask an architect... a pyramid is one of the most solid structures") emphasizing support system of people helping each other.

2. **Aggressive battery of analyst presentations** across the country. Simple but basic theme was "Why We Are A Good Investment."
3. **Tied product sales to IR** by sampling. "Bee Pollen, Nature's Chi (used by athletes for energy) were passed out to investment professionals to increase comfort level with the products. Brokers hoarded these 'energy' capsules which, after a few weeks, really began to work. So brokers began aggressively buying the stock." Some even became distributors.
4. **Product & company literature** focused on need for preventative medicine.
5. "After 4 quarters of issuing 10% stock dividends at our urging to increase float, the company began paying 5 cents per share quarterly cash dividend. **We recommended switching to the cash dividend** in order to attract institutional owners, thus bringing more sophistication to the stock."
6. **Contacted investment advisory newsletters** & OTC publications, several of which issued "buy" recommendations.
7. Obtained a chance to make a **presentation to NY Society of Securities Analysts**. "This made Nature's one of the smallest companies to ever appear before that prestigious group." Stock rose to \$12 range, double from the start of the year.

MONKEYWRENCH A few weeks after the presentation, CEO & CFO unexpectedly left to pursue other interests. Shock & skepticism rocked the program, stock dropped to the low \$8 range. "It really threw us in a tailspin. Besides CTA, those 2 individuals were the only contact Nature's had with the investment community."

CTA developed a crisis communication plan to rebuild credibility, establish stability & act as a liaison between the board of directors & Wall Street. "While the board was looking for a new CEO, we stressed that the fundamental operations of the company had not changed & that Nature's now had the opportunity to bring in a new CEO with stronger credentials." Jemison says that while the initial attention was negative, the resignations turned out to be a positive thing. Everyone was watching when the company found a new CEO with impressive credentials.

"When the new CEO came on board, we approached major newspapers. New York Times used a sizable article in its 'Business People' section. Reprints were mailed to shareholders & potential investors. Response was excellent. A perceived negative was turned into a positive."

Company's monthly customer magazine, Sunshine Horizons, was also sent to members of the investment community. New CEO was featured along with new programs & products. "We also contacted national business media to garner interest. Coverage appeared in Business Week, Barron's, Forbes, NYTimes & Investor's Daily."

- RESULTS**
1. From \$6/share in 1/89, **stock rose** to a high of \$15-1/4 during the year, ending at \$14-1/2 -- a 142% increase.
 2. **p/e multiple increased** from 10 at program's start to 19 at the end -- a 90% increase. (Most index averages were at 14 at year's end.)
 3. **Institutional owners increased** from 3 to a dozen, owning almost 20% of the outstanding stock.
 4. Nature's market cap was \$32.2 million at the beginning of 1989, closed at \$75.4 million -- **an increase of 142%!**

BUSINESS EXECS NOW BELIEVE CORPORATIONS OWE MORE RESPONSIBILITY TO CUSTOMERS & EMPLOYEES THAN STOCKHOLDERS

Study by Brouillard Communications (NYC) finds business execs believe a

corporation is more beholden to customers & employees than to its stockholders. Opinion Research Corp surveyed 1,000 members of the public & 500 execs (50% officers) from Fortune 1000 companies.

Respondents were asked how much responsibility they felt a corporation has toward customers, employees, stockholders, plant community residents, retirees & regulatory agencies.

Officers feel more strongly for customers & employees than non-officers. That public & execs agree on priorities indicates their interests may be drawing into alignment, after years of polarization found in past studies.

Jim Foster, Brouillard pres: "During much of the 80s, management's fiduciary responsibility to stockholders seemed to transcend everything else. Today, it looks as tho corporate America has its sights on a broad constituency."

	<u>Execs</u> feel a great deal of responsibility to	<u>Public</u> feels a corp's primary responsibility is to
Customers	97%	75%
Employees	94%	73%
Stockholders	87%	66%