

Cut-and-Paste: Many Online Annual Reports Still Don't Measure Up

By Mike Guillaume, Director e.com-ReportWatch

Too many online annuals are still just a copy-and-paste of printed versions. Sometimes, they're simply preceded by commercials or introduced with PR, flashy (pun intended) or video gimmicks ("The CEO is talking to you" being a typical one).

The worst example is shown by those hundreds of American 10-Ks just exported to a website where they are often accessible via "SEC filings" only. A 10-K is already an illegible and oddly structured mishmash in print (made even worse after Sarbox), so what is on a screen or as PDF? Answer: The same boring stuff, just flatter.

Anything else available? Sure, Microsoft has never been able to produce a good quality annual report in print (not least for financials, with segmentation as a quite recent discovery). But at least you would have expected that the company's online reporting would be ahead of the pack. It's not. Check for yourself! Similarly, IBM has always been a better corporate and financial reporter. But acting surprisingly like an old smokestack company, its site doesn't even offer table downloads.

Those two blue chips are no mere exceptions. Instead of adding value to online versions of reports and all the website components that could primarily be used for communicating, most companies today just transfer compliance to the www environment, period. Many non-U.S. companies deliver much better online, even in brick-and-mortar industries.

Beyond that, one noticeable trend is the increased number of companies using HTML reports, instead of just PDFs. These should, by the way, be easily downloadable and be printer-friendly, though WYSIWIG is not always on a Web designers' agenda. According to Nexxar, an Austria-based online reporting consultancy, 40 percent of Dow Jones 30 firms offer fully-fledged HTML versions. A broader sample from e.com shows less than one-third of American reports being available in such a format.

Many problems remain even with those on-screen versions. The first is on-screen readability. Another is the possible subsequent (mis)interpretation of data and short-termism in "recommendations" that may result—and the possible consequences this may have on stock. While ADD is a sickness that afflicts Wall Street analysts as well as Main Street kids, online features should not prevent in-depth analysis, strategic perspectives or a medium-term view (I am thinking of those ever important historical data that are so often pushed as a ratio-less appendix in many U.S. annuals).

Forgetting these types of elements and issues turns computer screens into TV screens—and not for the better. As Nexxar CEO Thomas Rosenmayr reminds us: "The main purpose of visiting your online report is not (only) to visualize... your annual report image show, but simply to find information."

Most so-called interactive versions are a drag, with page-turning often being the only interaction. Instead, really *interactive* features (such as graphs, charts, Q&As taking the place of FAQ, etc.) remain far from being widely used or developed on most IR sites today. Again, North American reports lag behind best practices when it comes to interactivity. Compare, for example, Wal-Mart's poor "Financial Tear Sheet" and Ahold's chart generator in the same industry.

If the Internet does not change the annual report in content and objectives, it deserves at least a change in format, style, and, if possible, value added material.

Good examples? Best practices? Some of the top-ranked companies in the Annual Report on Annual Reports (www.reportwatch.net), yet not all of them, show the way. Also worth visiting are these two sites that survey online reporting output: www.nexxar.com and www.webranking.eu.

There's room for (much) improvement out there in cyberspace. Employing even a few of the best practices outlined here—and avoiding the more common mistakes—should benefit IR professionals and improve investors' access to information they need to guide their investment decisions.

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