RareCorporateDesign

It's time for annual reports to measure up

It's incredible that so few people seem to care how effective annual reports are.

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Nearly four years of research from the benchmarking agency, FutureValue, has revealed a correlation between the quality of forward-looking disclosure in annual reporting and relative share performance over the medium-to-long-term.

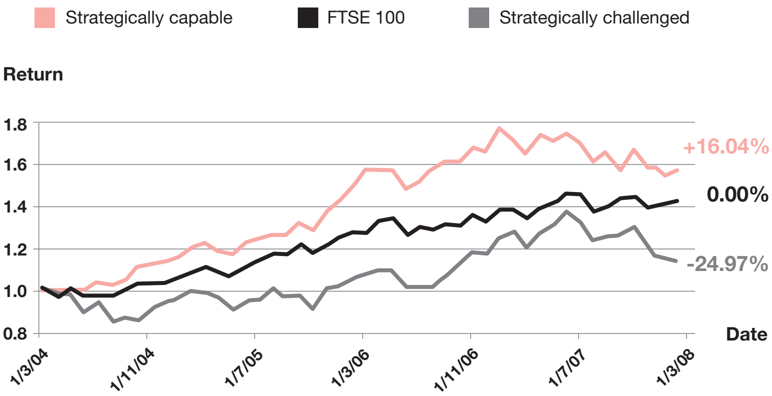
When corporate design agencies complain that annual reports aren't treated as a piece of grown -up marketing collateral, they usually have in mind that their area of expertise should be given more budget, more creative freedom and a more central role in establishing a business' positioning and values. As such, they're looking at the argument from entirely the wrong direction: to grow up as a piece of communication, annual reports don't need more support; they need more measurement. In fact, given the large chunks of corporate communications budget that they swallow up every year, it's astonishing that annual reports have to face up to so little accountability.

The effectiveness of most marketing communications is ultimately defined by return on investment measured in revenue. The reason why so little is done to measure the effectiveness of annual reports is arguably because no such handy, pint-sized definition of their effectiveness exists: it would be a bold analyst who explained share price movements with reference to the quality and style of a company's annual report.

Yet the measurement of more established forms of marketing communication has never been a case of simply tracking sales. Ever since 19th century retail guru John Wanamaker lamented that "I know half my advertising is wasted, I just don't know which half," the profession has been working overtime to answer the question.

Today's advertisers have an enviable line-up of brand metrics to use when determining to what extent, and in what way a campaign has contributed to increases in sales: from brand awareness and message association through to changes in brand loyalty, purchase consideration and intent. Public relations may at times appear less scientific, yet can still track its contribution to a company's success by tracing the channels through which opinion is influenced: newspaper column inches and, increasingly, the views and discussions of online communities.

Annual reports have a potentially significant influence on a highly significant target audience, in the shape of analysts, opinion formers and the broader investment community. This influence does not translate directly into share purchases or 'buy' recommendations (it would be extremely worrying if it did), but neither is it wholly irrelevant. The response of all those concerned with annual reporting should not be to shrug resignedly and write off the report's contribution as intangible; instead they should take a lead from their marketing communications peers and rise to the challenge of identifying exactly how their product works.



Nearly four years ago FutureValue evaluated the FTSE100 for its strategic capability. It has since tracked the most strategically capable and most strategically challenged companies from that first evaluation.

Nearly four years of research from the benchmarking agency, FutureValue, has revealed a correlation between the quality of forward-looking disclosure in annual reporting and relative share performance over the medium-to-long-term. This shouldn't come as a surprise; the clarity of a company's strategy and the extent to which it can be expressed to a stakeholder audience is an obvious indication of its operational and management effectiveness, a marker for any careful reader of business health.

Measuring the quality of forward-looking strategic statements in an annual report provides a clear and meaningful insight into the publication's ability to influence key opinion formers in the investment community and the impression that it makes upon them; these statements cannot trump strong management, good competitive positioning or positive market trends, but they can ensure that the value of these is properly and effectively expressed; their absence may well raise the question of how well a business understands its own prospects and position.

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If corporate design really wants to be seen as a discipline with a real contribution to make, then its practitioners need to take a lead role in encouraging this process.

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Rare Corporate Design helps its clients to communicate online and offline through brand identity, corporate reporting, corporate social responsibility and all other marketing communications.

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