



Using corporate Web sites in Africa to market to investors

G. Nel

Department of Accounting
University of Stellenbosch
Stellenbosch, South Africa
gfn@sun.ac.za

R. Baard

Department of Accounting
University of Stellenbosch
Stellenbosch, South Africa
rbaard@sun.ac.za

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1 Introduction

Political leaders regularly advocate that Africa needs more foreign direct investment (FDI) to increase economic growth and fight poverty. One type of FDI comprises investment by institutional investors in existing companies. To evaluate a potential investment, investors

require detailed financial and other types of information about the companies. A study conducted by Cowell (2000) led to the conclusion that 75% of institutional investors usually or occasionally review corporate Web sites before meeting a company's management. Corporate Web sites therefore provide a means for companies to provide such information.

According to Seberger, president of Investor Relations Marketing, the 'Big Four' components of corporate Web sites are investor relations, public relations, employment and 'About Us' (Investor Relations Marketing 2006). Marston (1996) defines investor relations (IR) as the link between a company and the financial community by which information for evaluating the company is provided to the financial community (investors).

The Investor Relations Society (2006) published best practice Web site guidelines in January 2006 to guide companies seeking to improve the quality of their online communication with investors. These guidelines focus on the way in which content is delivered (presentation style) as well as the actual information (content) that is delivered. These guidelines accentuate awareness, usability and accessibility, navigation and timeliness as key points in ensuring that the presentation and style of Web sites enhance the clarity and usability of IR information. Best practices regarding the actual content of IR Web sites emphasize company information, financial data, relevant news, shareholder information, bondholder information, corporate governance and corporate responsibility as key points to consider.

The above indicates clearly that IR entails much more than mere financial information. The IR Magazine South Africa hosts an annual competition in which various prestige prizes are awarded to the best IR Web site, best IR officer and best annual report. For 2005, the prize for the best IR Web site was awarded to AngloGold Ashanti (<http://www.anglogold.com>).

A study undertaken in 2000 into the top 100 companies in the USA revealed that 99 had Web sites and 93 made provision for IR (FASB 2000). A study by Allam and Lymer (2002) on the 50 largest companies in the USA, UK, Canada, Australia and Hong Kong concluded that 99,6% of these companies had Web sites and 100% of the companies with Web sites had an IR section.

According to research by Venter (2002), 85 of the top 100 companies in South Africa had active Web sites and 83 of the 85 companies had some form of IR or a financial information Web page. Research by Loxton (2003) and Nel (2004) showed similar results.

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2 Problem statement and purpose of study

As mentioned above, a number of empirical research studies have been conducted on the use of corporate Web sites for marketing IR. No comparable research could however be found for companies in Africa (besides South Africa). In the absence of such research, one would readily assume that the largest companies in each country in Africa would at least have a corporate Web site with a dedicated IR section, given the [low cost](#) and straightforward nature of setting up these Web sites, compared to the perceived benefits. The purpose of this study was to test this assumption.

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3 Objectives of study

Given the above problem statement and purpose of study, the primary objectives of this study were to:

- Investigate the use of corporate Web sites by top companies in Africa; and
- evaluate the promotion of IR on these corporate Web sites.

A secondary objective was to evaluate the public awareness of identified corporate Web sites.

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4 Outline of study

To accomplish these objectives, 240 companies in Africa were selected. A consistent methodology was followed to ensure trustworthy conclusions regarding the existence or non-existence of corporate Web sites. The identified corporate Web sites were subsequently screened for the existence or not of an IR section.

A survey conducted by Investor Relations Marketing (2006) found that 40% of users, when asked to visit a company's Web site for research with a view to potential investment, correctly guessed the URL, 36% used Google, and 24% used other search engines and Internet directories. On the basis of this survey, two questions were raised in this study to evaluate the awareness of corporate Web sites:

- Is the URL a logical extension of the company's name?
- Is the URL promoted on leading search engines (such as Google and Yahoo)?

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5 Empirical research

5.1 Selection of companies

The companies evaluated in this study were selected as follows: Firstly, the largest 1000 African companies were sorted according to market [capitalization](#) as on 31 December 2005 to establish the largest 200 companies in [Africa](#). In view of the fact that South African companies represented 52% of the largest 200 companies in Africa, South African companies were removed from this list to avoid the skewing of results towards South Africa. After removing South African companies, only Egypt, Kenya, Morocco, Nigeria and Tunisia had more than 10 companies each in the top 200. The 40 largest companies in each of Egypt, Kenya, Morocco, Nigeria, South Africa and Tunisia were subsequently selected and evaluated.

5.2 Methodology for finding the Web sites

A number of steps were taken to find the Web sites of the 40 largest companies for Egypt, Kenya, Morocco, Nigeria, South Africa and Tunisia. The first step was to enter the company names into two search engines, namely Google (<http://www.google.com>) and Yahoo (<http://www.yahoo.com>). These searches were conducted during April and May 2006. Only the first 50 results from each search engine were evaluated. If the URL of the company Web site was displayed on the first 50 results, the site was visited to gather the required information. When a technical error occurred, for instance if the site was under construction or there was a failure to access the site, that site was visited again on the following day to gather the required information.

All of the South African company Web sites were promoted in the first 50 results obtained from the Google and Yahoo search engines. In the search for the Web sites of African companies, an URL was sometimes promoted in the first 50 results from the Google search engine, but not promoted in the first 50 results from the Yahoo search engine and *vice versa*.

When this happened, the company Web site would be visited to obtain the required information but a search would also be done of the company's URL on the search engine that did not display the company Web site in the first 50 results. In each instance of this nature, the particular search engine, Google or Yahoo, could find the URL.

When a particular company Web site could not be found among the first 50 results from either of the two search engines, certain Web sites containing company profiles and corporate information pertaining to various companies were used to try to find the selected company Web sites. The use of these Web sites was made difficult by the fact that some of them would only supply the relevant company information at a price, for instance (<http://www.mbendi.co.za>), (<http://www.zawya.com>) and (<http://www.liquidafrica.com>). There are Web sites that were used to find the company Web sites that did supply the information at no cost and some of them are related to companies of a specific country. The Web sites used to help find Nigerian company Web sites not promoted on the search engines were (<http://www.nigerianbusinessinfo.com>) and (<http://www.nigerianinvestor.com>). For the country of Kenya, the Web sites (<http://www.kenya.com>) and (<http://www.nse.co.ke>) were used. The Web site (<http://www.casablancabourse.com>) was used for the country of Morocco and the Web site (<http://www.ersntrade.com/Tunisie>) was used for the country of Tunisia to find the particular company Web sites that were not promoted through the search engines. Two Web sites not related to a specific country were used in general, to help find company Web sites that are not promoted in the first 50 results from the two search engines. These Web sites were (<http://www.business.com>) and (<http://goliath.ecnext.com>).

Some of the other problems that were encountered while finding the company Web sites were that the majority of corporate Web sites in Tunisia and Morocco are not available in English, so that the information was inaccessible to investors not fluent in languages such as Arab and French. Some of the Web sites that were consulted to help find company profiles were not updated on a regular basis, for example specific sections of the Lagos (Nigerian) stock exchange (Nigeria) (<http://www.thenigerianstockexchange.com>), which were accessed for information on the top 20 Nigerian companies, had last been updated on 22 July 2002.

5.3 Results of finding corporate Web sites

Working Web sites could only be found for 173 (72%) of the 240 companies evaluated. These results are analysed per country in Table 1.

Table 1 Internet presence of the largest 40 companies in Egypt, Kenya, Morocco, Nigeria, South Africa and Tunisia

	Egypt	Kenya	Morocco	Nigeria	South Africa	Tunisia
Working Web site	25 (62,5%)	28 (70%)	30 (75%)	32 (80%)	40 (100%)	18 (45%)
No Web site	7 (17,5%)	11 (27,5%)	6 (15%)	6 (15%)	-	22 (55%)
Failed to access	6 (15%)	1 (2,5%)	4 (10%)	1 (2,5%)	-	-
Under construction	2 (5%)	-	-	1 (2,5%)	-	-

According to previous research by Venter (2002), Loxton (2003) and Nel (2004), all of the largest 40 companies in South Africa have corporate Web sites. If South Africa is excluded, only 133 (67%) of the remaining companies have working Web sites.

5.4 Promotion of investor relations on these corporate Web sites

One of the primary objectives of the study was to determine whether provision is made for a dedicated IR section on corporate Web sites. The 173 working Web sites that were investigated were screened for IR. When no IR section could be found, the Web sites were screened for any other financial information (e.g. financial statements).

A dedicated IR section was found for only 78 (45%) of the 173 Web sites. Of the remaining 95 Web sites, a further 57 (33%) supplied some financial information, but 38 (22%) supplied no financial information at all on their corporate Web sites.

The companies that have working Web sites (173 companies) represent 100% of companies for the purpose of the discussion in the remainder of this study. The results per country are shown in Table 2 below.

Table 2 Provision for IR on existing working corporate Web sites

	Egypt	Kenya	Morocco	Nigeria	South Africa	Tunisia
IR section	14 (56%)	8 (28,5%)	6 (20%)	9 (28%)	40 (100%)	1 (6%)
No IR section, but some financial information is supplied	3 (12%)	15 (53,5%)	17 (57%)	14 (44%)	-	8 (44%)
No IR section and no financial information	8 (32%)	5 (18%)	7 (23%)	9 (28%)	-	9 (50%)

Consistent with previous research, 100% of the 40 largest companies in South Africa have dedicated IR sections on their corporate Web sites. Exclusion of South Africa reveals that only 38 (28,5%) of the remaining 133 Web sites have dedicated IR sections, 57 (43%) supply some financial information and 38 (28,5%) supply no financial information at all.

5.5 Public awareness of these corporate Web sites

It is often said that Web sites are like a party: it may be organized very well, but if the guests are not invited, failure will be evident! Companies may have working Web sites with dedicated IR sections, but if they do not promote their Web sites, potential investors will not be aware of these companies.

5.5.1 Is the URL a logical extension of the company's name?

A logical extension will help potential users to correctly guess the URL, thereby increasing the accessibility and usage of Web sites. The classification concerning whether the URL is a logical extension of the company's name or not, was fairly simple in the majority of companies, but in many instances the classification was subjective and different among different users, depending on prior knowledge of the company.

For example, the URL for Sasol Limited is www.sasol.com and was classified in this study as a logical extension, opposed to the URL for Mittal Steel South Africa Limited, which is www.iscor.co.za and was classified in this study as not being a logical extension. This study showed that the URL could be classified as a logical extension of the company's name for 85% of companies with working Web sites. The results per country are shown in Table 3.

Table 3 URL: logical extension of the company's name

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	Egypt	Kenya	Morocco	Nigeria	South Africa	Tunisia
URL logical extension	22 (88%)	21 (75%)	22 (73%)	27 (84%)	38 (95%)	17 (94%)
URL not a logical extension	3 (12%)	7 (25%)	8 (27%)	5 (16%)	2 (5%)	1 (6%)

5.5.2 Is the URL promoted on leading search engines (Google and Yahoo)?

Of the 173 companies found to have working Web sites, the Web sites of 162 (94%) were being promoted on Google and 151 (87%) on Yahoo. The results per country are shown in Table 4 below.

Table 4 URL promoted on Google or Yahoo

	Egypt	Kenya	Morocco	Nigeria	South Africa	Tunisia
Google – promoted URL	23 (92%)	22 (79%)	27 (90%)	32 (100%)	40 (100%)	18 (100%)
Yahoo – promoted URL	21 (84%)	22 (79%)	26 (87%)	27 (84%)	40 (100%)	15 (83%)

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6 Conclusion

A corporate Web site builds awareness of a business in a manner that is far cheaper, more flexible and more immediate than conventional advertising. It adds value by providing customers with additional information on a business, products and services. It also exposes the company to new markets, while providing the company with new and innovative ways to service its clients, sell its products and attract potential investors. Enabling a company for business over the Internet is no longer just a strategic consideration but an operational necessity.

The costs associated with developing and hosting a corporate Web site is low compared to the perceived benefits of having a corporate Web site. There is a host of companies that are competent to deliver these services at very competitive rates. According to MWeb Business (2006), the initial cost of developing a corporate Web site usually varies from \$400 to \$800, and the annual hosting costs from \$175 to \$5 700, depending on the specific requirements of the company. These costs are very market related, compared to Webcore Logic (2006) and Hetzner (2006).

This study showed that only 173 (72%) of the largest 40 companies in Egypt, Kenya, Morocco, Nigeria, South Africa and Tunisia, from among 240 companies that were evaluated, had working corporate Web sites. Only 78 (45%) of these working corporate Web sites incorporated a dedicated section for IR. Of the remaining 95 Web sites, 57 (33%) supplied some types of financial information, normally in the form of financial statements. According to the Investor Relations Society (2006), a dedicated IR section is far superior to supplying some types of financial information only as far as best practice for IR is concerned.

The above results reveal a clearly unacceptable situation far below what could have been expected, given the magnitude of the companies that were evaluated and the relatively low cost of developing and managing a corporate Web site.

Combining the above results concerning the number of companies with working Web sites and the number of working Web sites with dedicated IR sections accentuates the current undesirable situation. Online access to IR is available for a mere 78 (32,5%) out of 240 companies. Table 5 below illustrates the state of affairs per country for companies that have IR sections compared to companies that supply some financial information on their Web sites and companies that do not supply financial information or do not have Web sites.

Table 5 Provision of an IR service via corporate Web sites for the 40 largest companies

	Egypt	Kenya	Morocco	Nigeria	South Africa	Tunisia
IR section	14 (35%)	8 (20%)	6 (15%)	9 (22,5%)	40 (100%)	1 (2,5%)
No IR section, but some financial information is supplied	3 (7,5%)	15 (37,5%)	17 (42,5%)	14 (35%)	-	8 (20%)
No IR or no financial information or no corporate Web site	23 (57,5%)	17 (42,5%)	17 (42,5%)	17 (42,5%)	-	31 (77,5%)

Possible reasons for these disappointing results could involve the lack of the necessary skills or available technology to develop and manage corporate Web sites. These reasons may, however, no longer be a factor. All African countries have Internet access, with the majority having international bandwidth use of more than 64 Kbps, which is a big improvement from five years ago when only four countries in Africa had an international bandwidth of more than 64 Kbps (African Internet connectivity 2006). If the technology or skills are not available within the company or country, these corporate Web site management services could be outsourced, given the host of companies competent to deliver these services at a relatively low cost. The only remaining reason that the authors of this study are able to offer for these poor results is that the companies that have no Web sites and offer no IR services are not aware of the benefits of having a corporate Web site with IR.

As evident in this study, results varied significantly between countries. One possible reason for this may concern the immense difference between the average size of companies in the different countries. For example, the average size of the companies included for Tunisia was \$70 million, compared to South Africa where it was \$9014 million. The bootstrap non-parametrical test indicated statistically that there was a significant difference between the average size of companies that did not have Web sites and did not offer IR services, compared to the companies that had Web sites and IR information. However, it was not possible to draw any conclusions regarding the situation on a country-to-country basis.

Although the results overall are not satisfactory, 85% of companies with Web sites had URLs that were a logical extension of the company's name and 94% were promoted on Google, compared to 87% on Yahoo. This helps potential investors to gain access to available working Web sites.

As mentioned in the introduction to this study, it is often advocated that Africa needs more foreign direct investment to increase economic growth. As only 32,5% of the companies

evaluated in this study were making online IR information available to potential investors, this study suggests that this could be seen as a potential restrictive factor to the future inflow of foreign direct investments to Africa.

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