

# Reputation's Linkage to Business Performance

Does reputation matter? If attracting and retaining the best talent, getting customers to buy more and pay more for products and services, and strong financial and/or stock market performance is a priority for your company—then the answer is “Yes.”

In July 2009, strategic brand and marketing consultancy, Prophet, embarked on a corporate reputation study to understand which U.S. corporations are today's reputation winners and losers. In addition, the study intended to illustrate the connection between reputation and a company's bottom line. The study was taken by approximately 4,300 U.S. consumers who were asked to rate 130 companies on various pillars of reputation.

The study clearly underscored the value of a strong reputation. Over the past five years, companies with leading reputations outperformed the S&P average by 100 percent and their stock prices were 88 percent higher than the average.

The study also revealed that consumers are twice as likely to purchase, four times more likely to pay a premium, and almost ten times more likely to recommend products and services from companies with “leading” reputations versus “failing” ones.

Across the 18 industries included in the study, the majority of reputation drivers are shown to be strongly linked to key purchase funnel metrics including awareness, consideration, purchase and recommend. The linkage is particularly strong at the “purchase” and “recommend” stages of the funnel, where the top 10 reputation drivers overlap with 80% of the top purchase and recommendation funnel drivers. This reiterates the importance of building reputation, as the reputation drivers that matter most also influence drivers that are critical for driving business results for your company.

We've included some examples of reputation driver and purchase funnel overlap among some of the studies “leading” and “failing” companies to illustrate (see Table 1).

The analysis suggests that in most of the industries analyzed, the reputation driver overlap is higher at the “recommendation” versus the “purchase” stage. This further reinforces how important reputation is

Industry	Reputation	Purchase	Recommend
All	n/a	80%	80%
Financial Services	Failing (54.6)	60%	80%
Oil & Gas	Failing (57.0)	60%	90%
Retail	Strong (71.0)	90%	90%
Consumer Packaged Goods	Leading (76.4)	50%	70%

Table 1: Top 10 reputation driver overlap at key stages of the purchase funnel

when someone puts their own reputation on the line to recommend a product or service to another. Generally, this pattern of “recommendation” is consistent across most industries included in the reputation study.

The top five reputation drivers that emerge across all of the industries included in our study and that influence consumers' willingness to “purchase” and “recommend” products and services include the following:

- “Offers reliable products and services”
- “Is a company whose products and services make a difference in my life”
- “Offers high quality products and services”
- “Gives me peace of mind”
- “Is a company that inspires me”

While the order of these reputation drivers and their overall influence on purchase and recommendation varies, these drivers make their way to the top of the purchase and recommendation stages. This further reinforces that the actions taken to address reputation (e.g., focusing on key reputation drivers and performance gaps) should *also* influence and support business performance, specifically when it comes to purchase and recommendation. For those trying to prove the value of reputation-building efforts, this compelling linkage to business performance should help build the business case for action among senior executives.

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