

## 2010–2011 Reputation Winners and Losers

### Ethics and Openness Overtake Viability in Shaping Public Perceptions

**What a difference a year makes.** With oil spills, product recalls, and mortgage fraud dominating headlines in 2010, when it comes to reputation, the public has been less concerned by businesses' ability to weather economic storms and more concerned about how they behave and own up in a crisis.

Given this shift in consumer sentiment from 2009, Prophet's 2010–2011 Corporate Reputation Study found—not surprisingly—that the reputation rankings of BP, Toyota, and Goldman Sachs plummeted this year: BP to the very bottom, at No. 145 (from 78 in 2009); Toyota to 139 from 18 in 2009; and Goldman Sachs to 143 from 127.

On the other hand, businesses whose reputations faltered the most in 2009 as the economy suffered—General

Motors and Wells Fargo among them—rebounded quite nicely. GM, having scored an impressive business recovery since its 2009 government bailout, jumped to the 85th spot from 123rd in 2009, and Wells Fargo, to 98 from 113.

In fact, despite the Toyota recall (or perhaps because of it), the U.S. automotive sector as a whole achieved a major reputational rebound in 2010, as did the financial services industry, which, while still low in the overall industry rankings (third from the bottom above healthcare and oil and gas), jumped from the last spot in 2009.

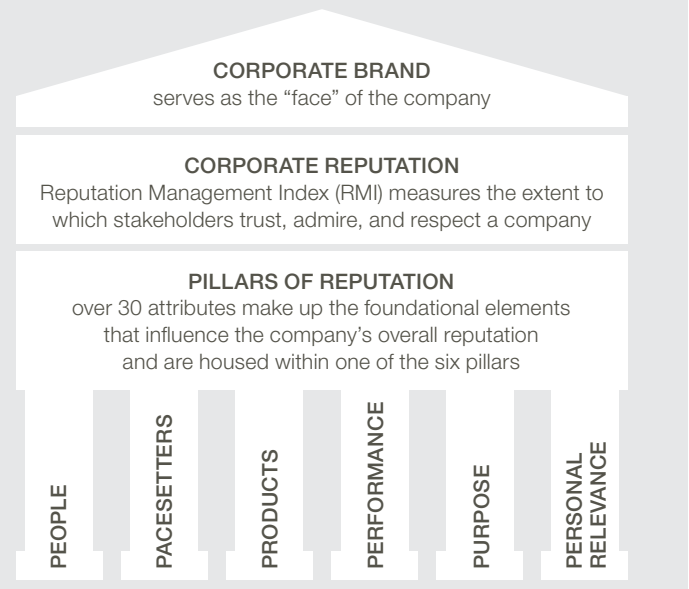
#### **Rated: 145 companies in 18 industries**

In its annual Corporate Reputation study, Prophet, a strategic brand and marketing consultancy, polled 4,900

#### **The Corporate Reputation Framework**

Prophet bases its annual corporate reputation study on elements of a proprietary measurement framework. Its three facets—Corporate Brand, Corporate Reputation, and the Six Pillars of Reputation—are factored into three metrics:

- The Reputation Management Index (RMI), which measures overall reputation and is the basis for Prophet's rankings;
- the key drivers of reputation which measure how important attributes within the pillars are in influencing reputation overall; and
- the performance score which indicates how well a company is performing on a given attribute within a reputation pillar.



U.S. consumers to see how they rated 145 Fortune 500 companies in 18 sectors, including many in *Fortune* magazine's "Most Admired" rankings. The firm asked them to gauge overall reputation, and how well they believe each performs against a range of attributes that have the greatest influence on reputation.

In 2010 as in 2009, the majority of those polled—70 percent—gave companies just average marks on reputation, although more consumers rated businesses as "excellent" this year than in 2009.

At the same time, the well-publicized crises for three major corporations caused a shift in what influenced consumers' perspectives on company reputations. This year, attributes related to openness, ethics, and the kind of public dialog companies foster in response to marketplace events and circumstances were deemed most important.

### Who's at the top; who's at the bottom?

Not surprisingly, the highest ranked companies (see Exhibit 1) were consumer packaged goods and

technology companies—those purveyors of products and services that command a high level of consumer engagement and that aren't generally considered "harmful" in some way to people's lives and environments.

Kraft moved up one spot to edge out Kellogg's (No. 2) for the No. 1 ranking, with other leaders, General Mills (4), Sara Lee (17), Coca-Cola (8) and Nestle (10) all shuffling positions while still staying in the top 25.

Technology companies, too, were well represented in the top 25, and tended to see improvements in reputation from 2009. Sony, for example, moved up to fifth place from ninth in the rankings, which, interestingly, put it ahead of media darlings Amazon (to 9 from 11) and Apple (to 13 from 20). Google, meanwhile, saw its ranking drop to the No. 28 position from 10 in 2009—perhaps reflecting a backlash against its growing pervasiveness.

At the other end of the spectrum were the oil and gas industry and financial services industry. Neither was able to shake off the reputational drags of the BP Gulf Coast oil

Exhibit 1: Top 145 Reputation Rankings (U.S.)



spill and financial market woes. The oil and gas sector as a whole saw a 10-point drop in its reputation score from 2009. One semi-bright light was ConocoPhillips, which managed to eke out an “average” rating and landed 127th in the overall rankings—the top spot for the sector.

And despite financial services’ overall poor-to-failing ratings, individual companies tended to see marginal improvements in their reputation scores. JP Morgan Chase, for example, outperformed many of its retail and investment banking peers except Wells Fargo, improving from 2009 on all key drivers—suggesting its reputation-building programs are beginning to gain traction.

### Reputation Snapshots by Industry

Toyota aside, the automotive industry saw major improvement in its reputation standing, particularly the U.S. automakers who struggled in the 2009 bailout environment.

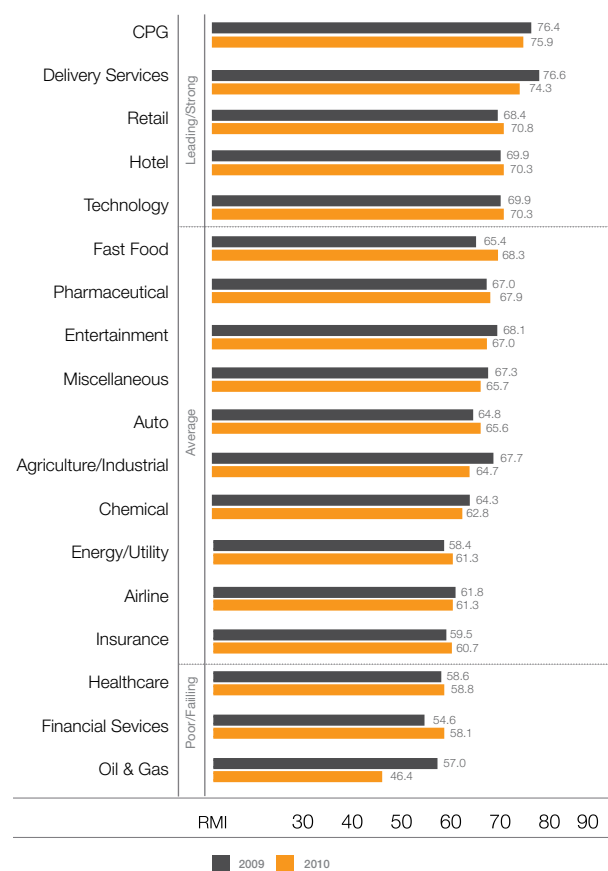
Toyota toppled from its 2009 leadership spot of 18 to a near-bottom ranking of 139 and saw its spot at the head of the automotive industry overtaken by Honda, which moved up to No. 30. The bigger revelations, however, were comebacks scored by the U.S. firms whose futures were shaky in 2009. General Motors and Ford saw solid gains in their reputations. GM improved its ranking to 85 from 123 (as noted), and Ford, to 60 from 72. While GM remains in the “poor” end of the reputation rankings, moves to improve products and finances, including paying back government loans, seemed to begin a renewal of consumer confidence.

This renewal was evidenced in a sharp shift in the reputation drivers in 2010 from the year earlier. Attributes that mattered the most this year related to the products, personal relevance, and pacesetters reputation pillars; topping the list was how well companies delivered on innovation as represented by the latest products, services, and technologies. Also key were fair and ethical behaviors, combined with openness. Top concerns in 2009? Primarily those centered on company performance, leadership, and financial performance.

In the healthcare industry, long a sore spot with a public that has only grown more polarized by the healthcare debate, it’s not surprising that this sector rested firmly at the bottom of the 2010 reputation rankings alongside oil and gas and financial services.

While Blue Cross Blue Shield led the pack for the second year in a row with an average reputation score, its spot

Exhibit 2: Overall Industry Rankings (U.S.)



at the 84th position still represented a slide from 2009’s placement at 65, where it was at the cusp of a strong ranking. In a surprise drop, UnitedHealth Group, which in 2009 got the second-highest rankings in this sector, got a grade of poor, dropping to 123 from 108.

The public’s growing concerns with healthcare—and particularly with insurers in this space—were brought to life when looking at the most influential reputation drivers this year compared to last. Three attributes under the pacesetter pillar—fair and ethical behavior, openness, and being known as a leader—were high among the top 10 drivers. In 2009, only one attribute under this pillar, effective leadership, made the top 10 drivers list.

(See Exhibit 2 for an overview and comparison of overall industry reputation rankings.)

### Why reputation matters

While headlines can help make or break a business’

**Exhibit 3: Top 10 Cross-Industry Reputation and Purchase Funnel Drivers**

PURCHASE DRIVERS	REPUTATION DRIVERS	RECOMMENDATION DRIVERS
	Makes a difference in my life	
	Fair and ethical	
	Is open	
	Gives me peace of mind	
	For people like me	
	Communicates clearly	
	Balances priorities	
Strong financial performance	Newest products and services	
Company that inspires me	Reliable products and services	Company that inspires me
Known for innovative products	High quality products	Innovative products

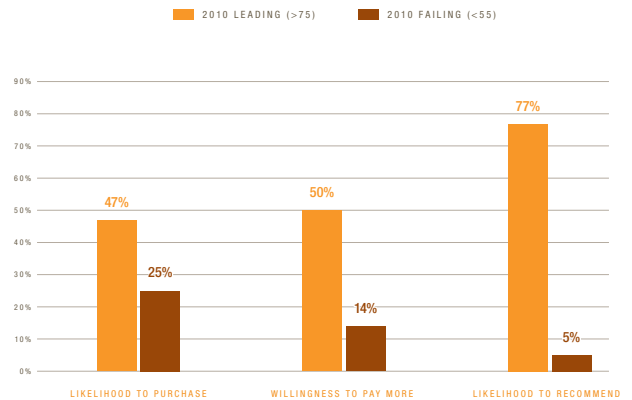
TOP 10 DRIVER FOR A GIVEN FUNNEL STAGE BUT NOT A DRIVER OF REPUTATION

reputation, other drivers also play into public perceptions. All of the reputation drivers (see Exhibit 3) have a cumulative impact on a reputation, although the weight they're given by consumers varies according to circumstances and influences among industries.

It's important to understand and manage the drivers of reputation for your company's specific industry, as a clear connection can be found between reputation drivers and purchase-related decisions.

In short, it makes good business—in every sense of the term—to build and actively manage your reputation.

**Exhibit 4: Link Between Reputation and Business Performance**



Indeed, Prophet's study found that consumers are two times more likely to purchase, four times more likely to pay more for, and close to 15 times more likely to recommend products and services from a "leading" company than a "failing" company, reinforcing the role reputation plays in business results (see Exhibit 4).

This year, the Pacesetter drivers of reputation—attributes like openness, fairness, and ethical behavior—took on a more prominent role for nearly every industry sector (see Exhibit 5). It was a telling signal that it's not enough to have an innovative flair or reliable customer support. The public looks for, and expects, businesses to do more and

### The Reputation/Brand Connection

No one's going to argue there isn't a link between reputation and brand. The extent of the interplay between them may be surprising, however, and can serve to inform reputation strategy development.

In both years of Prophet's reputation study, we incorporated five brand-specific questions as a means of measuring brand value over time and how it tied back to reputation.

As part of this exercise, we pulled out six businesses that had experienced major and well-publicized swings in reputation—three on the downside, and three on the upside.

The year-to-year comparisons showed that damage to reputation also harmed the brand value, though to a lesser

extent. BP, for example, fell 62 percent in our reputation index, with a 39 percent drop in brand value. The reverse also held true: Improvements to reputation also helped brand value. General Motors' 29 percent reputation gain in 2010 was accompanied by only a 1 percent drop in brand value.

What does this all suggest? First, that brand value and reputation are highly linked. Second, that brand value follows reputation. Third, that the degree of swing in reputation and brand value by the six sample companies argues that reputation is more fragile and brands are more robust and stable.

to walk the responsibility talk, as that is what will make or break a reputation and, ultimately, a brand.

**Translating it into action**

All companies should have a consistent way to measure and manage their reputation. Syndicated reputation studies provide a solid benchmark of overall reputation performance relative to other companies. But to actively manage reputation requires understanding your industry’s specific reputation drivers, with a goal of creating a tailored and actionable plan for closing the gaps.

The resulting strategies and programs to address gaps must align with and support the organization’s overall business goals. They must also have measurable benchmarks for evaluating progress, and a framework for making judgments.

Here are three considerations to guide thinking along the way:

1. As developments over the last two years have reinforced,

reputation drivers are influenced by macro-economic forces and industry-specific factors. This makes it critical to be mindful of these circumstances in managing a reputation program. While half of the leading reputation drivers were consistent across 2009 and 2010, those that changed centered on the “macro” forces that impact all industries (e.g., pacesetter attributes like openness and behaving in an ethical manner).

2. Word-of-mouth and peer influence are powerful forces in shaping a reputation, and only gaining in strength as social media channels become more mainstream. Attempting to control their power is a dangerous game. But engaging in the dialog, openly and authentically and in a way that makes sense for the business, will pay off over time.

3. There is a clear relationship between reputation and brand. Actively managing your reputation will ensure you are not negatively impacting the value of your brand. In addition, it suggests that brand and reputation strategies should be highly linked and should not be

**Exhibit 5: Top 10 Cross-Industry Drivers of Reputation (U.S.)**



## E.U. & U.S. Aligned on Reputation Leaders and Laggards

For all the cultural differences that may divide U.S. and European consumers, they're remarkably aligned on reputation—good and bad, and the attributes that shape it.

Prophet's 2010 Corporate Reputation Study included a separate survey of 3,200 consumers in the United Kingdom, Switzerland, and Germany, polling them on the attributes that influence the reputations of 30 companies in five industry sectors. Overall, European Union consumers rated companies as having average reputations—similar to their U.S. counterparts. However, E.U. respondents tended to give lower scores overall than survey participants in the U.S.

Across both continents, the technology sector garnered some of the highest reputation scores despite different rankings. In the U.K., for example, Apple, Microsoft, and Intel commanded the top three positions, respectively. Intel, Hewlett Packard, and Apple ranked second, third, and fourth, respectively, among German respondents, while Swiss consumers gave Apple the top spot, with Hewlett Packard and Intel taking third and fourth, respectively.

And the lowest rankings, with failing reputation scores, were the oil and gas and financial services sectors—with consumers in the E.U. as influenced as their U.S. counterparts by the BP

Gulf Oil spill and the ongoing travails of the financial sector. Not surprisingly, BP commanded the bottom spot throughout the E.U. Royal Bank of Scotland took 29th and Exxon Mobil, 28th in the U.K.; Exxon Mobil, 29th, and GM, 28th in Germany; and UBS and Exxon Mobil, 29th and 28th in Switzerland.

There were also similarities in what both groups considered the most important reputation drivers. "Pacesetter" attributes were among the predominant in the top 10. "Known as a leader.." was the No. 1 driver among U.K. and German respondents, and also important to the Swiss.

One major difference involved reputation drivers focused on personal relevance attributes like "gives me peace of mind" or "is for people like me." These did not make the top 10 in the E.U., while they were important reputation drivers for U.S. survey respondents.

In the E.U., reputation also has a strong impact on business performance as consumers are five times more likely to pay more for and 12 times more likely to recommend products/services from a "leading" versus a "failing" company. In the U.S., consumers were four times more likely to pay more for, and close to 15 times more likely to recommend products and services from a leading company.

kept in separate silos to achieve optimal results for a company overall.

Reputation building is a journey that requires commitment and discipline. Those with the strongest reputations are clearly benefiting in the form of higher customer loyalty, increased market value, and more. How is your company doing on its reputation journey? ☺

This paper reflects the collective thinking of Prophet leadership, and was spearheaded by Jeff Smith (jsmith@prophet.com), a Partner. Prophet (www.prophet.com) is a strategic brand and marketing consultancy that helps its clients win by delivering inspired and actionable ideas.