

Reputation Winners and Losers

Highlights from Prophet's First Annual U.S. Reputation Study

Does your company have a strong reputation? If it happens to be one of the 130 companies included in Prophet's U.S. study, you will now be able to find out. And the findings could not have come at a better time.

The mortgage crisis, financial market meltdown, and massive industry bailouts have put companies under more public scrutiny than at any other point in history. With less than 9 percent of consumers believing companies today have strong reputations, understanding where your company stands and determining what you need to do to measure, manage, and build your reputation, has never been more important.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

– Warren Buffett

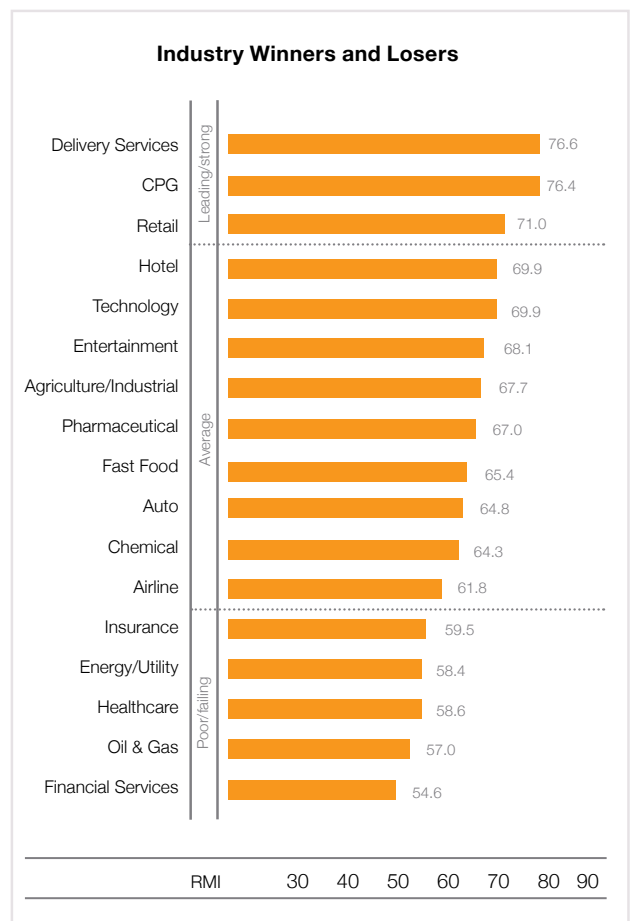
For its first annual evaluation of major corporations and reputation, Prophet surveyed over 4,300 U.S. consumers on key measures of reputation. The reputation scores were translated into a Reputation Management Index (RMI), allowing a ranking of both industries and companies.

Industry Winners and Losers

Delivery services/logistics, consumer packaged goods (CPG), and the retail industry lead the way in our reputation study. All of the companies included in these industries receive high marks from consumers on their ability to provide reliable, high quality products and services at a good value. These attributes are particularly important to the level of trust, admiration, and respect consumers have for these companies. The hotel and technology industries also fare very well. Like other top ranking industries, the hotel industry

gets credit for offering "high quality products and services" and "delivering reliable customer service and support" – both of which are important characteristics of a service-oriented business. While the technology industry also gets credit for having quality products and services, its high reputation scores are primarily driven by innovation-related attributes like "offers the latest and most advanced products, services, and technologies," and "is a company known for its innovative products."

Then there are those industries that didn't fare as well, which is not surprising given the microscope many of them have been under in the past year. Players in



financial services, oil & gas, healthcare, energy/utility, and insurance industries all landed at the bottom of our rankings with poor or failing reputation scores.

In fact, financial services found itself dead last among all industries included in our study, a hard position to swallow, but as we saw from our rankings, not all is doom and gloom. JPMorgan Chase & Co. is one organization that weathered the storm better than others, outranking retail banking peers such as Wells Fargo and Bank of America, and investment banking peers Morgan Stanley and Goldman Sachs.

In our estimation, JPMorgan Chase’s articulation of the company’s vision for the financial services industry through “The Way Forward” communications platform and the leadership visibility of CEO, Jamie Dimon, on key issues have helped its reputation during these turbulent times.

Pillars of Reputation

How can companies measure and build their reputations? In addition to the overall reputation score, Prophet further distills reputation into six distinct “pillars” of reputation: People, Pacesetters,

Products, Performance, Purpose, and Personal Relevance. These pillars provide companies with a more granular understanding of where reputation strengths and gaps exist.

A cross-industry view of the companies included in our study reveals that products, personal relevance, and performance are the pillars most important to driving overall reputation. Attributes like “offers reliable products and services” (products), “products/services make a difference in my life” (personal relevance), and “is a well managed company” (performance) rise to the top. Companies that succeed in building strong reputations must, at a minimum, perform well on those attributes. However, reputation drivers vary across industries so understanding your specific industry’s drivers and how your company performs relative to peers is critical for reputation building efforts.

Leading and Lagging Companies

Who is winning the race for a strong reputation? You won’t see AIG anywhere near the top of this list, but you might find yourself wondering “What can Brown do for me?”

Six Pillars of Reputation					
People	Pacesetters	Products	Performance	Purpose	Personal Relevance
The attributes within this pillar describe the company’s employees and workplace environment. They measure the extent to which the company “supports development of its employees” and “is a good place to work.”	This pillar and its associated attributes reflect the company’s leadership, vision, and governance. Attributes within this pillar measure whether the company has “strong and appealing leaders” and “is known as a leader in the industry.”	This pillar is all about how the company delivers value to its end users. Attributes include “offers high quality products and services” and “delivers reliable customer service and support.”	This pillar focuses on how the company performs from an operational and financial standpoint. Attributes include “delivers strong financial performance” and “efficiently manages its business.”	The statements here describe the company’s approach and commitment to making the world a better place. Included are a company’s environmental and community commitments, expressed through attributes like “is environmentally responsible” and “is a socially responsible company.”	This pillar describes the emotional connection someone has with a company. Attributes include “is for people like me” and “is a company that inspires me.”

Top 50 Reputation Rankings

Rank	Company	Industry	RMI	Rank	Company	Industry	RMI
1	Kellogg's	CPG	82.1	26	Hewlett Packard	Technology	73.9
2	Kraft Foods	CPG	80.5	27	Marriott	Hotel	73.4
3	General Mills	CPG	80.4	28	PepsiCo	CPG	73.1
4	Walt Disney	Entertainment	80.0	29	BMW	Auto	73.0
5	Johnson & Johnson	Pharmaceutical	79.8	30	Costco	Retail	72.7
6	Coca-Cola	CPG	78.3	31	Target	Retail	72.7
7	UPS	Delivery Services	78.2	32	Caterpillar	Agriculture/Industrial	72.4
8	Colgate-Palmolive	CPG	77.8	33	Honda Motor Co.	Auto	72.4
9	Sony	Technology	77.8	34	USAA	Insurance	72.2
10	Google	Technology	77.4	35	General Electric	Conglomerate	71.8
11	Amazon.com	Technology	77.4	36	Unilever	CPG	71.4
12	Nestle	CPG	77.2	37	Dunkin Donuts	Retail	71.4
13	Intel	Technology	76.7	38	Best Buy	Retail	71.2
14	Whole Foods Market	Retail	76.6	39	Starwood	Hotel	71.1
15	Procter & Gamble	CPG	76.0	40	Hyatt	Hotel	70.8
16	Home Depot	Retail	75.5	41	Samsung	Technology	70.6
17	Lowe's	Retail	75.5	42	Dell	Technology	70.6
18	Toyota	Auto	75.5	43	Motorola	Technology	70.6
19	Deere & Co	Agriculture/Industrial	75.4	44	IBM	Technology	70.0
20	Apple	Technology	75.1	45	Cisco Systems	Technology	69.9
21	FedEx Corporation	Delivery Services	75.1	46	Nike	Retail	69.6
22	Sara Lee	CPG	74.9	47	Staples	Retail	69.6
23	Microsoft	Technology	74.9	48	Fairmont	Hotel	69.5
24	3M	Diversified Technology	74.8	49	Southwest Airlines	Airline	69.5
25	Yahoo	Technology	74.6	50	Hilton	Hotel	69.3

Leading: >75 Strong: 70-75 Average: 60-69.9 Poor: 55 - 59.9 Failing: <55

Reputation rankings for 51-130 can be found on page 6

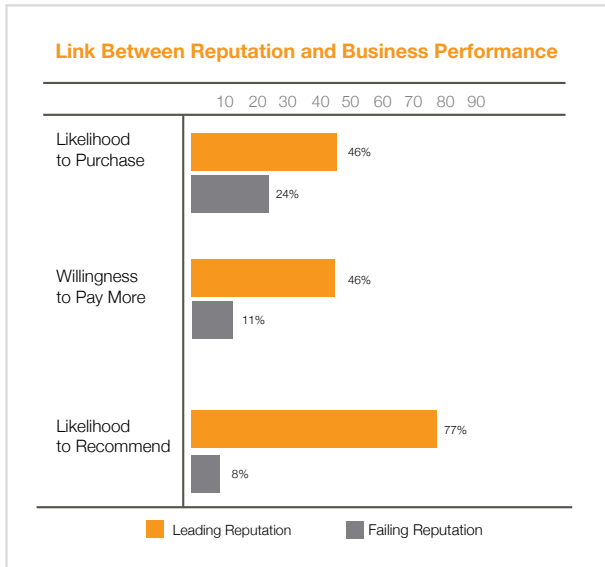
Kellogg's finds itself number one in our rankings, with a reputation score of 82.1. Kraft Foods follows closely behind with a reputation score of 80.5, while other consumer packaged goods companies like General Mills, Coca-Cola, and Colgate-Palmolive also rank in the top 10. These companies are followed by family entertainment giant Walt Disney, Johnson & Johnson, UPS, Sony, and Google, all of which have leading reputation scores.

In addition, there are companies that stand out because of their leadership in their respective industries – in some cases seemingly free of their industry baggage. Companies like Toyota, who is by far the top performer in the auto industry, ranking 18th overall, has a reputation score over 10 points higher than the auto industry average. In the insurance sector, USAA has also made a name for itself, ranking 34th with a reputation score more than 10 points higher than the insurance industry average.

What are these companies doing that allows them to break free from some of the negative industry perceptions? They focus on what matters most.

Early on, Toyota saw an opportunity to make “green” relevant to consumers and has been able to reap the rewards of its foresight with its Prius model. It is the number one selling hybrid car, having sold more than one million units since it was first introduced in 1997. So, it's not surprising that being an environmentally responsible company is a key reputation driver for recent car buyers. Toyota also gets credit for having high quality, reliable cars – not something all in their industry can boast – with a score on this attribute 8 points higher than the industry average – and 30 points higher than DaimlerChrysler, which falls to the bottom of our auto industry rankings.

And USAA? It seems to be connecting with consumers on a personal and emotional level, getting high marks on key industry reputation drivers such as offering products and services that “make a difference in my life” and “gives me peace of mind.” Further, USAA is recognized for providing the highest quality insurance products and services in the industry; with a reputation attribute score five points higher than competitors like MetLife, Nationwide, and Geico.



Reputation Linkage to Business Performance

What does having a strong reputation actually get you? Should companies care if their reputations rank at the top like Kellogg’s or at the bottom like Fannie Mae and AIG? If they care about their business results, they should.

In the past year, companies with leading reputations have achieved annualized shareholder returns 13 percent higher than others and outperformed the S&P average by over 22 percent. Over the last five years, these same companies outperformed the S&P by over 100 percent and their stock prices were 88 percent higher than the average. That equates to a lot of market value, particularly in an economic environment where access to capital is tight.

Our study also reveals 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.

Given reputation’s strong impact on a company’s market value – as well as its influence on selling more products and services, there is a strong business case for companies to have a systematic approach for managing and measuring reputation over time.

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How to Measure and Manage Reputation

What should companies do if they find themselves at the bottom of the rankings? What are the steps required to actively measure and manage reputation?

Regardless of a company’s position in the rankings, 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. However, in order to actively manage reputation, it is important to look at the specific pillars and attributes critical to driving perceptions of the company and industry overall, thereby providing a more tailored and actionable view of how best to close reputation gaps.

Companies must then develop strategies and programs to address gaps, ensuring these activities align with and support the organization’s overall business goals. They must also have measurable benchmarks for evaluating reputation enhancements and a framework for making judgments. These tools give companies better visibility into the business environment and allow them to build stronger relationships with key stakeholders.


Take Sempra Energy, the number two company in the energy and utility industry, ranked second only to Duke Energy. While it is unlikely the energy and utility industry will ever lead the overall industry rankings, this does not seem to be stopping Sempra from addressing key reputation gaps. In fact, they are activating programs to improve performance on key reputation drivers. In the past year, Sempra launched a corporate advertising campaign, published its

inaugural corporate responsibility report, became the first California utility to commit to having 33 percent of their energy portfolio come from renewable resources, and started rolling out smart meter technology within their service area. Beyond these programs, our study reveals that Sempra gets credit for energy reliability and high-quality customer service – both of which are key reputation drivers among general consumers. By focusing on what matters most, Sempra is positioning itself to strengthen its reputation and drive long-term business success.

Reputation building is a journey that requires commitment and discipline – and 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?

About the Study

Prophet's reputation study was conducted in June and July of 2009. The study was taken by approximately 4,300 general U.S. consumers, representative of the U.S. census. Consumers were asked to rate 130 U.S. companies on various pillars of reputation, as well as purchase behaviors.

To find out more about your company's reputation ranking, or additional insight into what the key drivers of reputation are for your industry and company, please contact Aneysha Pearce at apearce@prophet.com. 

Reputation Rankings: 51-130

Rank	Company	Industry	RMI	Rank	Company	Industry	RMI
51	Volkswagen	Auto	68.6	91	American Express	Financial Services	60.5
52	ConAgra Foods	CPG	68.4	92	Delta Airlines	Airline	60.5
53	Nissan	Auto	68.0	93	Progressive	Insurance	59.9
54	DuPont	Chemicals	67.6	94	Liberty Mutual	Insurance	59.6
55	Boeing	Aerospace & Defense	67.1	95	United Airlines	Airline	59.5
56	Abbott Laboratories	Pharmaceutical	66.8	96	Edison International	Energy/Utility	59.5
57	McDonalds	Fast Food	66.8	97	US Airways	Airline	59.2
58	Oracle	Technology	66.3	98	PG&E Corporation	Energy/Utility	58.9
59	Vanguard	Financial Services	66.2	99	Nationwide Mutual	Insurance	58.8
60	Wal-Mart	Retail	65.8	100	Continental Airlines	Airline	58.5
61	Sears Holdings	Retail	65.8	101	Monsanto	Chemicals	58.1
62	Harrah's	Hotel	65.4	102	ConocoPhillips	Oil & Gas	57.6
63	Starbucks	Retail	65.4	103	JPMorgan Chase	Financial Services	57.3
64	Visa	Financial Services	65.3	104	Northern Trust	Financial Services	57.2
65	Blue Cross Blue Shield	Healthcare	65.1	105	UnitedHealth Group	Healthcare	57.2
66	Nokia	Technology	64.9	106	Cigna	Healthcare	56.9
67	AT&T	Technology	64.7	107	Humana	Healthcare	56.9
68	Pfizer	Pharmaceutical	64.4	108	Aetna	Healthcare	56.8
69	Verizon Communications	Technology	64.2	109	Chevron	Oil & Gas	56.2
70	Mosaic	Chemicals	64.1	110	Time Warner	Entertainment	56.0
71	Burger King	Fast Food	64.1	111	Credit Suisse	Financial Services	55.9
72	Ford Motor Company	Auto	64.1	112	Sprint Nextel	Technology	55.8
73	BP	Oil & Gas	63.7	113	Wells Fargo	Financial Services	54.7
74	Jet Blue Airways	Airline	63.6	114	U.S. Bancorp	Financial Services	53.7
75	Fidelity	Financial Services	63.4	115	Exelon Corporation	Energy/Utility	53.4
76	Duke Energy	Energy/Utility	63.2	116	UBS	Financial Services	53.2
77	MetLife	Insurance	63.1	117	Constellation Energy	Energy/Utility	52.5
78	American Family Insurance	Insurance	62.4	118	Comcast	Technology	52.3
79	MasterCard	Financial Services	62.3	119	HSBC	Financial Services	52.3
80	Geico	Insurance	62.3	120	Capital One	Financial Services	51.9
81	Allstate	Insurance	62.2	121	Morgan Stanley	Financial Services	51.1
82	State Farm	Insurance	62.2	122	Exxon Mobil	Oil & Gas	50.6
83	Wyeth	Pharmaceutical	61.8	123	General Motors	Auto	49.0
84	American Airlines	Airline	61.6	124	Daimler Chrysler	Auto	48.3
85	Merck	Pharmaceutical	61.6	125	Citigroup	Financial Services	47.6
86	Travelers	Insurance	61.5	126	Bank of America	Financial Services	47.4
87	Dow Chemical	Chemicals	60.9	127	Goldman Sachs	Financial Services	42.6
88	Sempra Energy	Energy/Utility	60.9	128	Philip Morris International	Miscellaneous	40.3
89	TD Bank	Financial Services	60.7	129	Fannie Mae	Financial Services	33.6
90	FPL Group	Energy/Utility	60.6	130	AIG	Insurance	30.8

Leading: >75 Strong: 70-75 Average: 60-69.9 Poor: 55 - 59.9 Failing: <55