Latest findings from the eighth sitting of The Reputation Council

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The Reputation Council

2013

Reputation and growth:
The future is now

Corporate Responsibility:
The case for
enlightened self-interest

Social media:
What have we learnt?

Global perspectives and
respected reputations

2013

The Reputation Council 2013

Latest findings from the eighth sitting of The Reputation Council

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Welcome to the latest edition of the Reputation Council bulletin. Established by the Ipsos MORI Reputation Centre in 2009, The Reputation Council brings together senior communicators from some of the most respected corporations around the world. Its feedback sessions provide an opportunity to discuss the business of reputation management and to share experiences and insights. Drawing on these conversations, this report provides a guide to the latest thinking and practice in the corporate communications world.

The eighth sitting of the Reputation Council includes contributions from industry experts across Europe, Latin America, Russia, Hong Kong and the USA. Hong Kong and India are areas of expansion for the Council and, for the moment, findings remain indicative of opinions from those regions. Nevertheless, the Council has a broader reach than ever before, providing a global perspective on key reputational issues of the day.

In this wave of research we investigate the challenges and opportunities presented by social media, a decade on from when social media platforms started to emerge. As part of this we include a time-line of the internet and social media milestones to give some context to the present day challenges. Our research shows that initial wariness has to some extent worn away and corporate communications have integrated digital communications into their toolkits. For many, it now presents as many opportunities as it does risks. The jury is still out, however, on whether consumer are as receptive to corporate interventions in social media spaces.

Also considered in this edition is the importance of companies articulating their social purpose and commitment to society. In 2013, payment of corporate tax has been a case in point and some companies have found themselves in the firing line for their use of offshore jurisdictions to drive down their tax liabilities in established markets with a view to better returns for their shareholders. Corporate communicators have had it vividly illustrated to them that companies have discretion on the social impact of their decisions and this needs to be part of their reputational thinking.

This edition examines how companies should go about leveraging and developing their reputation for the value it has today, as well as for the more traditional benefit of the equity it brings at times of crisis. We consider the awareness amongst communicators of reputation management's ability to bring benefit in the present time frame, in terms of marketing efficiency, as well as the capacity to weigh in on issues credibly in a future time frame.

Finally, we consider whether reputational issues are playing a growing role in strategic decision-making at board level. We explore the fact that most Council members predict that budgets for managing reputation will grow over the next few years and what this tells us about the evolving nature of the corporate environment.

As always if you would like to discuss any of the issues raised in this bulletin, or to find out more about what we do, please get in touch ■

Milorad Ajder Matt Williams

1.

Summary

The case for enlightened self-interest

Reputation Council members once again emphasised the need for companies to recognise and articulate the contribution they make to wider society. However, traditional "CSR" approaches are deemed too narrow to meet the demands of today's business environment, public demands and heightened stakeholder expectations. In response, companies are adopting a broader, holistic approach to ensure that they are contributing to society in a positive and sustainable way. In addition to the direct benefits, these initiatives are seen as an important way to distinguish a company from its competitors and to demonstrate its commitment to the communities in which it operates.

Embracing social media

The rapid growth of new social media channels has made it easier than ever for consumers to access information about companies and to share opinions about products and services. As such, social media is regarded by corporate communicators as something of a double edged sword – combine a well-executed campaign with a compelling message and there is potential to generate huge amounts of coverage from a relatively small initial investment. Get it wrong, however, and the reputational damage can be significant. Council members are clearly attuned to the possibilities and risks involved and are unanimous in the belief that the influence of social media on their work will only increase in future. To what extent do consumers agree though? Our recent research show that the general public are not sure corporate presence on social media is relevant or even welcome.

Capitalising on reputational equity

The benefits of a good reputation are manifold, helping companies to establish a licence to operate and providing brand resilience when times are tough. In addition to these strategic advantages, Reputation Council members acknowledge that a strong corporate profile can offer more immediate, tangible benefits by enhancing the impact of communication campaigns. They point out that consumers are more likely to engage with messages from companies that they trust and identify with, so building an authentic rapport with clients and customers can contribute to a company's bottom line by helping to maximise returns from advertising and other marketing activities.

Reputation and business strategy

Reputational issues are playing an increasingly important role in strategic decision-making and the overwhelming majority of Reputation Council members say that such matters are regularly discussed at board level. There are also indications that the business of managing reputation is no longer strictly the preserve of a specialist team, but that all employees are being encouraged to consider how their work affects how the corporation is viewed. At the same time, the business of managing a corporation's reputation is becoming more and more complex, as businesses grow into new markets and stakeholders' demands change. The existence of these broad trends may help explain the emergence of another trend: the fact that most Council members predict that budgets for managing reputation will increase over the next few years ■

2.
Global Perspectives

USA

- The financial services industry is once again widely nominated as the industry facing the greatest reputational challenge
- All respondents say they are involved in the development of business strategy
- Nearly all believe that social media criticism ought to be taken seriously

Latin America

- The energy sector is most likely to be nominated as the industry facing the greatest challenge to its reputation
- Nearly all respondents feel that it is important for large companies to articulate their contribution to society as a part of their corporate objectives
- Nine in ten believe that spending on reputation management will increase over the next five years. None of the Latin American respondents believes it will decrease
- Most respondents say they are fully involved in the development of business strategy

Europe

- One in five says that spending on reputation management has decreased in the last 5 years
- Some scepticism that social media criticism ought to be taken seriously, compared to other regions
- A significant minority says that the issues of brand and reputation are not important in board-level business strategy discussions
- The financial services sector tops the list of industries which are facing reputational challenges

Russia

- The construction industry is most likely to be seen as facing serious reputational challenges
- A few members express the view that a strong corporate reputation increases stakeholder expectations
- Council Members point out that the geographical expanse of the market creates communications challenges, making it hard to keep messages consistent and focussed

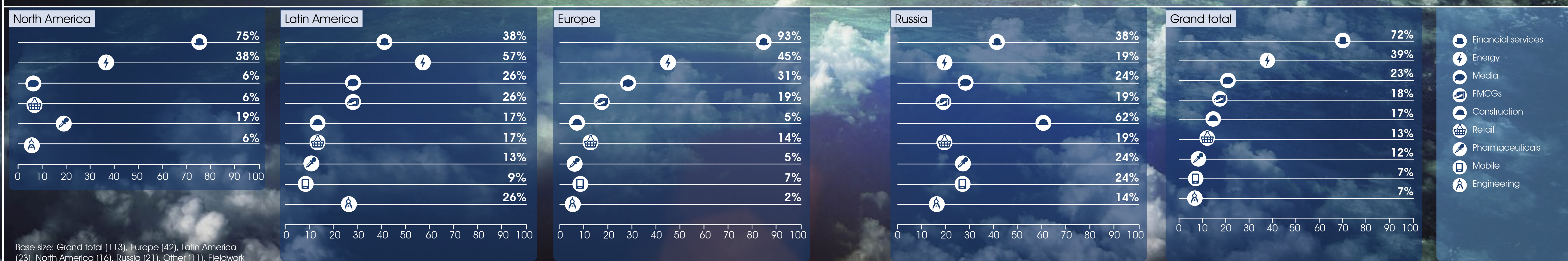
Hong Kong

- Council members in Hong Kong identify financial services as the sector facing the biggest reputational challenge
- Emphasise the need for businesses to work in partnership with the communities they operate in
- All confident that expenditure on reputation will increase over next 5 years
- Strongly believe that there is an important role for reputation in guiding business strategy*

India

- There are some inferences that companies which are profitable are already contributing to society, without the need for broader social objectives
- Indication that speed of growth and the highly competitive market present unique challenges for the region*

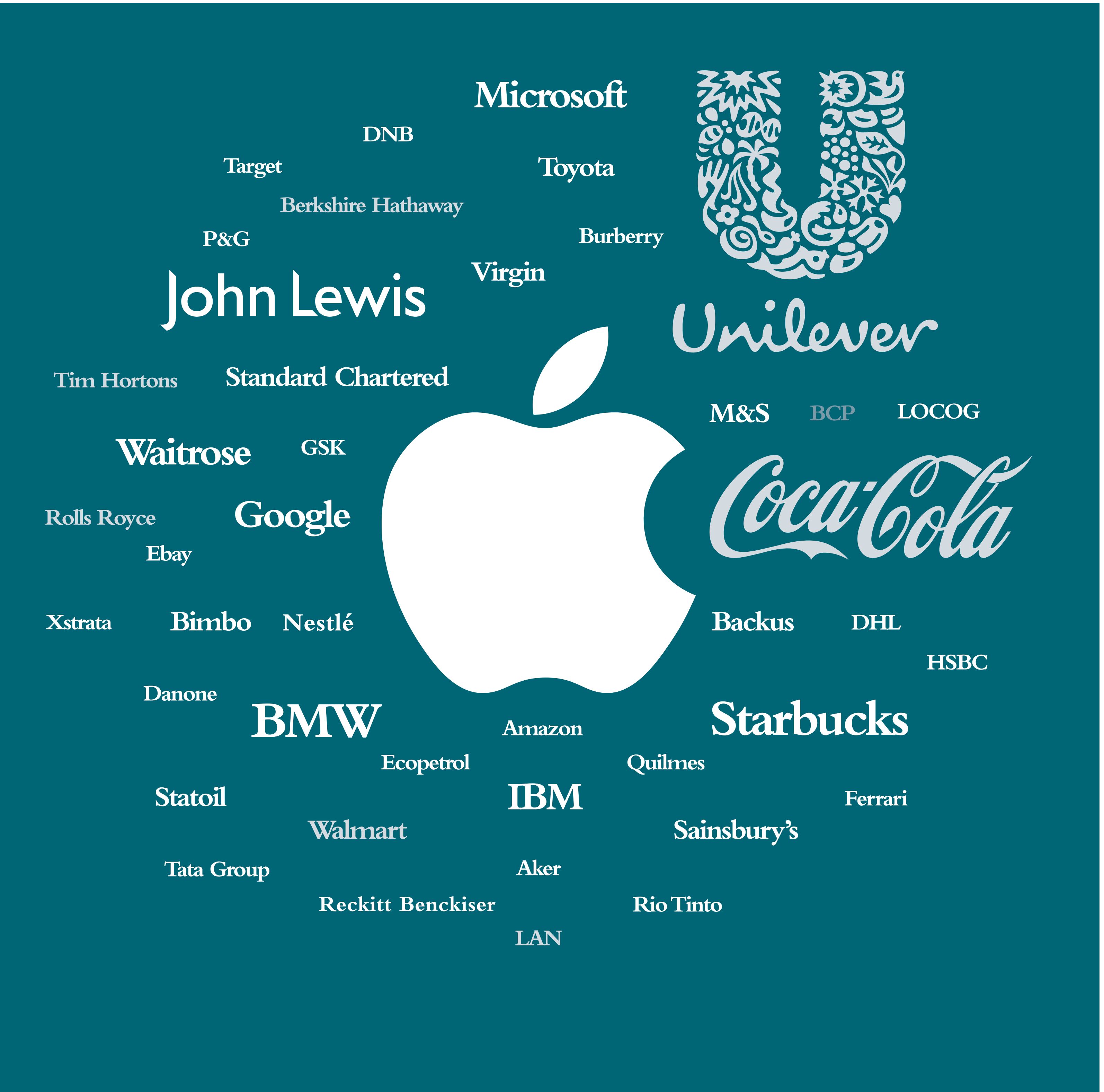
Which two or three industries do you feel face the greatest challenges in terms of their reputation at the moment?



Base size: Grand total (113), Europe (42), Latin America (23), North America (16), Russia (21), Other (11). Fieldwork dates: April to July 2013 Note: Please note small base sizes, so some caution should be exercised when making comparisons.

*Please note small base sizes.

3.
Respected reputations



Which two or three companies do you most respect in terms of their reputations?

We asked Reputation Council members about the reputations they most respected and the graphic to the left gives a visual display of the companies with at least multiple mentions. The size of the company name is indicative of the number of relative mentions. We must remember that our sample has a predominance of European members and that has guided some of the names coming out in this list. But there are clearly some global organisations which are recognised by members across the globe as well as some mentions within the regions. We pick out some interesting cases in this section.

The brands mentioned by the Reputation Council members are established and long running. Longevity and constant innovation over time seems to be highly respected.

Within the Latin American subset there is a particular focus on 'home region' companies, compared with other regions that list more global brands. Within the North American subset there is a heavier focus on brands or companies that are much more recognisable to the general public than in Europe for instance which has more B2B companies featuring.

Apple dominates here and this seems to be because the brand and products are so globally recognised for quality, simplicity and stability.

"If you look at the whole communications package, look at the way they communicate, look at the way they sell, look at the simplicity of it all as well, and it is really about empowering people to live in a digital world". "They really just own that space."

A classic that has evolved over its 127 years, Coca-Cola remains one of the most familiar and identifiable global companies.

"Coca-Cola's good reputation has to do with its service and products." "A global branding with a very developed global positioning programme. Also their distribution network".

Unilever was picked out by members across the globe for setting a long term strategy and marrying that with sustainability and social responsibility.

"Unilever has been cutting edge and their strategy is more long-term in terms of integrating sustainability".

"Unilever, the 100 years they have been in this country, how closely they are linked with the society, promoting the whole prudent economic programme. They really are a great example and that has helped them in their business. That is a great example of aligning social responsibility with your business purpose".

BIMBO

Mexican baking company, Bimbo is consistently praised by members in Latin America for being a company that plays on the global market and for its extensive distribution network.

"They have a distribution network and market penetration like no other company, that makes them a company linked to the society. Also, that they take care of their prestige by not getting involved in controversial issues."

John Lewis Waitrose

John Lewis and Waitrose were repeatedly chosen by Reputation Council members based in Europe and in particular in the UK. It remains a partnership owned by its employees and it gains praise for remaining so and for remaining under its slogan, 'Never knowingly undersold'.

"John Lewis and Waitrose have a good reputation. They are consistent in their messaging, they demonstrate that they live by the values of their brand and their reputation, particularly in everything they do, from their employment structure and salaries and how they employ people, the quality of the goods, how they react to negative issues, they are consistent and high quality in their responses to reputational issues."

Amongst members in Europe, the Olympic delivery company, LOCOG, also make an appearance having delivered a successful London games in 2012.

"LOCOG did a fantastic job with the Olympics."

Statoil

Statoil, international energy company, received several mentions from members in the Nordic countries for professionalism and working practices.

"They work systematically over a long period of time, and even if they have a few hiccups once in a while, they are thorough with the job they do in keeping things in check."

Berkshire Hathaway

Berkshire Hathaway has an appeal as a major player, with a famous and well-respected CEO in Warren Buffett.

"Berkshire Hathaway, simply because of the way they run their business."

ecopetrol

Columbian oil and petrol company, Ecopetrol is mentioned by Latin American members for its social responsibility and investment in its employees.

"Ecopetrol invests a lot in their corporate brand; I think this is interesting. And they also invest in their people, in the matter of ethics."

"All companies need to worry about the absolute quality of the products and trademarks - that is the first thing. The second without doubt has to do with good behaviour."

Why do you respect them?

Why do Reputation Council members esteem these companies? What are the qualities a respected company should strive for? The drivers of reputation tend to cluster around core business actions for most, but also include a healthy dose of "softer" measures that reflect how a company acts in society. In general though, quality over profitability sums up the reasons behind the responses here. Members seem to value good merchandise over good financials or even social responsibility, be that investment in employees or environmental policy. Of course, brand values are recognised as crucial by members. But also acknowledged is that without something solid underneath, there is only so much a brand can achieve.

This is perhaps best typified by Apple. Quality of products is something members particularly linked with this company. Apple has managed to pull off something few companies have - products that have allowed so many to do so much so effortlessly.

Other factors consistently mentioned include customer service, creativity, a recognised and well thought of CEO and good communications as well as heritage and resilience. Being a good corporate citizen was also respected. Members cited the need for a sustainable business model, for corporate social responsibility and the need to give consideration to the impact a company has through its activities on its employees.

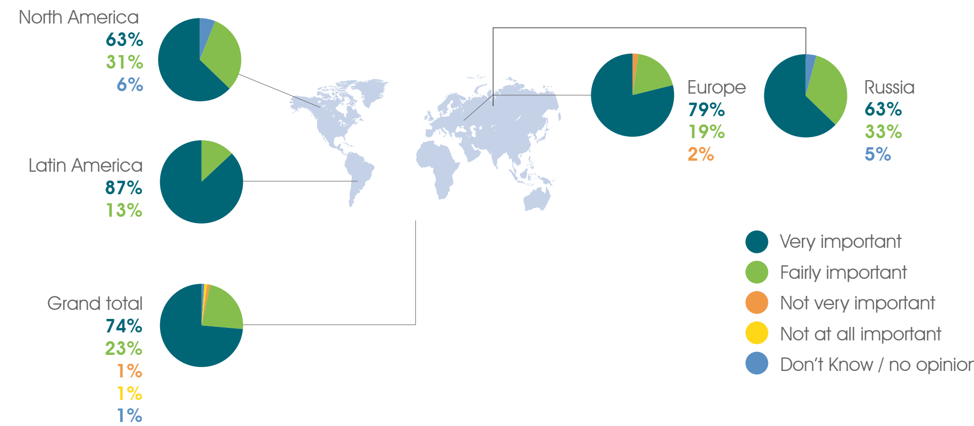
4.
Corporate Responsibility

The Case For Enlightened Self Interest

Large companies now overwhelmingly accept the importance of articulating their social purpose or commitment to society, and stress that this needs to be authentic. This approach undoubtedly offers business benefits for those companies that do it well. However, the debate now focuses on how companies can go beyond the 'what's in it for me' mind-set and properly connect with the big social and environmental issues touching their business and stakeholders, thereby acting as a force for positive change. Our Reputation Council members highlight the need for transparency and open engagement, long-term sustainability strategies that are integrated into business operations, and building strong collaboration aligned with their areas of business expertise. The vast majority of Reputation Council members agree that it's important for companies to articulate their social purpose as part of their wider business objectives.

Social purpose.

How important do you think it is for large companies to articulate their social purpose or contribution to society, for example as part of their objectives or vision?



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It is widely accepted that a company's commitment to society should be visible within its narrative on what the company stands for, with hardly any Council members saying this is not important. Opinion is particularly strong among Council members in Latin America and Europe, where at least four in five say it is very important. More than nine in ten of North American Council members also think it fairly important to some degree.

Previous waves of the Reputation Council have indicated that companies are fairly confident in their ability to communicate company values to internal audiences. However, there is far more uncertainty about how well these values are understood in the wider world. This may explain the continued emphasis on the need for strong, credible messaging around corporations' contribution to society. Indeed, Council Members report that their companies are increasingly focusing on the social value of their activities. While no one is suggesting that all businesses should be run as social enterprises, there is a clear sense that stakeholder expectations are changing and companies need to have a credible stance on these issues.

As one Reputation Council Member puts it:

"The needle has changed. It used to be all about shareholder value; now it is shifting to 'what are you doing to give back?', rather than just 'how much money can you make?"

A variety of different factors have influenced this re-evaluation of priorities. Undoubtedly the financial crisis has acted as a catalyst, raising far-reaching questions about the role that corporations play in society. At the same time, issues such as income disparity, concern over how business is regulated and on-going debates over the mechanics of corporation tax have kept these issues in the headlines and at the forefront of the political agenda.

The net effect of these shifts has been to shine a light on the way that large corporations do business. However, it would be wrong to conclude that companies are looking to articulate their social purpose as a defensive reaction, or that corporate responsibility is being evoked simply as a means to deflect attention from these issues. Instead, conversations with Council members demonstrate that, of course, most companies have been engaging with the issue of sustainability and social responsibility for many years. They point out that many companies have a long-standing commitment to making their actions genuinely sustainable and that such activities are being embedded into the way that companies conduct themselves. At the same time, current debates have undoubtedly added relevance to these actions and increased the expectation that, in future, successful corporations will do better business only by doing business better and for the most this means sustainably.

Changing Expectations and Commitments

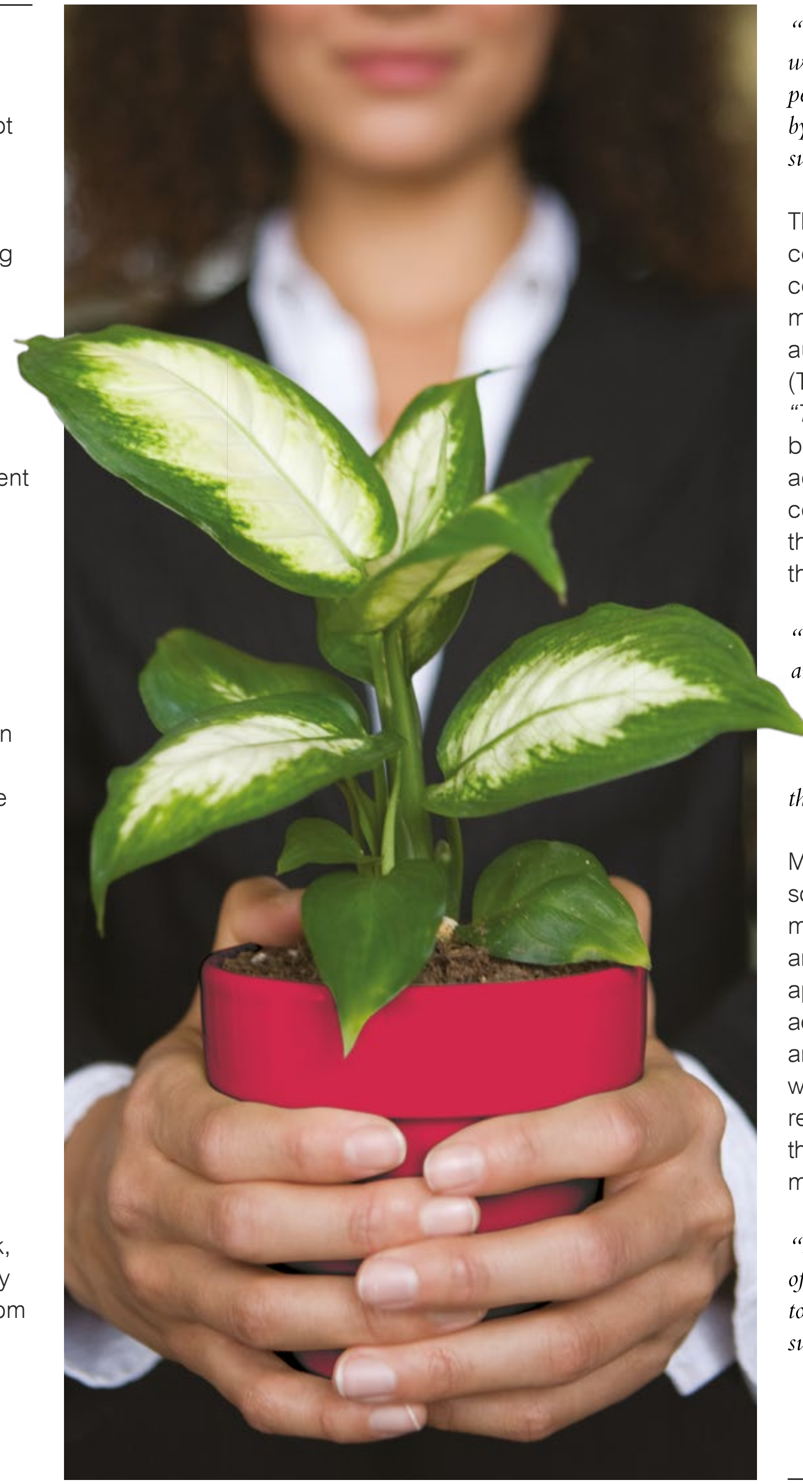
A great deal has changed in the 40 years since Milton Friedman famously dismissed the concept of CSR as "hypocritical window-dressing" in an article for The New York Times Magazine.[1] Nowadays, global corporations are expected to have a clear and credible approach to fulfilling their social and environmental responsibilities, to the extent that by underestimating the importance of corporate responsibility issues a company can actually expose itself to reputational risk.[2] Even more importantly – and as Council members consistently point out – companies need to demonstrate their commitment to these responsibilities through their actions.

"I think that stakeholders these days are very cynical of corporates who see CSR and companies' place in society as something they regard as a bolt on."

Clearly, paying lip-service to these ideals is not enough. Research from Ipsos MORI's Reputation Centre consistently reveals that corporate responsibility messaging only becomes credible when it tallies with a company's corporate behaviour. Council members are adamant on this point.

"You have to keep doing this through the tough times, even though it doesn't have an obvious direct benefit to your business. You have to remain committed to it and that commitment is part of the culture, it isn't there for financial reasons."

Of course, for some, even publicising their responsibility activities is a step too far. They argue that by proactively championing their involvement with – for example – charitable work, they invite criticism that it is being done cynically to raise the profile of the company or distract from negative press. One Council member explains their approach.



"We don't cover our CSR projects in the media - we made a decision not to. It is important that it is not perceived as a commercial project. If we are approached by journalists, we are happy to tell, but we do not "sell" such stories to media proactively."

This viewpoint highlights the fine line that companies must tread when talking about corporate responsibility initiatives and Council members repeatedly stress the need to be authentic in whatever activities they do carry out. (This theme is explored further in our recent article *"The Road to Reputation Recovery"*)[3]. To avoid being seen as inauthentic, some Council members advocate companies prioritising their social commitments as activities in themselves rather than simply as a means to bolster the reputation of their company.

"The problem I have with CSR is that it is a means to an end; it is not just an end in itself, therefore it lacks authenticity… I don't think by sponsoring or giving money to charity that allows you then to say 'I have done my good deed', or 'I have done the responsible thing'. I think it has to be a part of your intrinsic values."

Many Council members say that acting in a socially responsible way is a priority among senior management and there is evidence that corporations are developing increasingly sophisticated approaches to understand the contribution that their activities are making to society. The companies that are leading the debate are aligning social outcomes with financial objectives and thinking about their responsibilities in terms of their wider impact on the communities they operate in. As one Council member points out.

"Some of the corporates have brought this whole issue of CSR bang on into their balance sheet and have tried to start looking at business through the lens of social sustainability."

Aligning responsibility to business objectives

Embedding corporate values in this way can also open up business opportunities. For instance, Council members acknowledge that demonstrating leadership on social and environmental issues can help attract and retain talent.[4] Graduates making choices about where to work are influenced by their perceptions of a company's responsibility and environmental stance. People want to work for a company whose ethos and policies align with their own personal values and which they can be proud to say that they work for.

It is no secret that a strong articulation of social purpose can make a company more attractive to potential employees and more appealing to business partners.

"People come to work because they feel they want to make a contribution to society, and if there is some tangible link between that and the job… then that is an important intrinsic value driver."

As global demand for key resources increases, our understanding of what constitutes a "sustainable" business model is getting broader, to the extent that business objectives and the sustainability agenda are becoming increasingly aligned.[5] When the price of raw materials rises, the ability to reduce waste is as much about business efficiency as it is about 'CSR'.

Likewise, Council Members argue that by offering goods and services that provide genuine social and economic benefits to consumers, companies can carve out a competitive edge and build customer goodwill to generate long-term growth.

"More and more people pay attention to, for example, organic foods, and how companies conduct themselves in terms of social responsibility. People are more willing to pay for the products of companies that are not injurious to the world around [them]."

"It isn't about philanthropy and large sums of money, but it is to do with showing that you are a part of the society you live and operate in."

In some respects, this is a premise so simple that it could easily be overlooked. However, at a fundamental level it is one that no business that intends to endure for the long-term can afford to ignore. Council members pointed to the notion of the intrinsic worth of some activities for society.[6] Framed in these terms, adopting a more sustainable approach to doing business can be understood as a case of sound business sense.

"We would not be successful if we weren't providing a valuable social and economic benefit for the customer…at the end of the day a commercially successful company, one that is successful over the long term, is one that is built on providing the best possible service to its customers"

"It isn't about philanthropy and large sums of money, but it is to do with showing that you are a part of the society you live and operate in."

The recently published EU strategy for Corporate Social Responsibility summarises the business benefits that a strategic approach to these issues can offer by forcing companies to think strategically and to respond to new challenges with innovative solutions.

"By addressing their social responsibility, enterprises can build long-term employee, consumer and citizen trust as a basis for sustainable business models. Higher levels of trust in turn help to create an environment in which enterprises can innovate and grow." [7]

Forward-looking companies are alert to these challenges and are putting practical steps in place now to ensure that their businesses will remain viable and competitive in future. Seen in this wider context, sustainability is an integral part of effective business planning.

Openness and Transparency

As we would expect, all Council members report that their companies are proactively taking steps to ensure their businesses operate in an open and transparent manner. Indeed, many argue that companies which aren't taking these issues seriously are putting their license to operate at risk.

To some extent, this renewed focus on transparency and accountability could be seen as a response to the increased scrutiny that companies find themselves subject to. Social media has made it easier than ever for consumers to access information about companies and share their experiences of products and services; and

Council members almost unanimously predict that these pressures will only increase in future. If we add to this the demands placed on companies by business partners and government regulation, the importance which they place on such matters is understandable.

Against such a backdrop there is arguably little incentive for companies to be opaque about their business dealings: the reputational fall-out of being seen to have something to hide will be far greater than being open about activities from the start. Forward-looking companies are putting resources in place now to anticipate increasingly exacting demands. Companies may need to deliver above and beyond their regulatory requirements if they are to continue to thrive in a society where it is becoming easier to access information and faster to mobilise public opinion.

"In this digital era we are subject to a greater scrutiny from our consumers, our clients, the mass media, and that causes the companies to measure their performance not only from their financial success, but also their social impact."

As we examine later in the report, the upside of social media and increasing inter-connectedness is that marketers clearly have access to more detailed and more easily accessible data about consumer preferences and behaviour. Many Council members point out that the same tools which are making it easier for consumers to monitor companies' behaviour are also providing opportunities for companies to engage with the public in a more personal, individualised way than ever before.

Undoubtedly, these developments will expose companies to new pressures and greater risks. At the same time, there are very real gains to be made by corporations which can embrace this volatility and use insights to identify and respond to opportunities as they arise. As one Council member put it:

"Companies have to be more open to being out of control".

Long-term, Collaborative Approaches

There are plenty of other examples of how companies' approaches to responsible business are changing. For instance, members point out that short-lived, high profile actions are liable to be seen as an attempt to grab headlines, rather than representing a deep-rooted commitment to social engagement. They warn against "throwing" money at activities simply to generate positive press. Instead, they stress the need to develop long-term strategies which are integral to the way that the business operates; devoting resources to individuals and communities over a sustained period (rather than looking for a quick fix) and aligning these activities to areas of corporate expertise.

"More and more companies want to engage with the charities or engage with the cause that they stand for. We're very happy to give money to support a cause but we also want to give skills."

Specialist skills are at a premium and this is a gap in the social market that corporations are uniquely positioned to fill.

These types of activity signal that a corporation is willing to invest rather than speculate, putting long-term, mutually-shared benefits ahead of short-term, individualistic gains.

A willingness among companies to collaborate with a wide range of stakeholders and external partners to address societal challenges will be vital if these efforts are to be successful. The following case studies are just two examples of how companies are using this type of partnership along with their global reach to address diverse issues around the world.

CASE STUDY

DHL's Go Help Programme

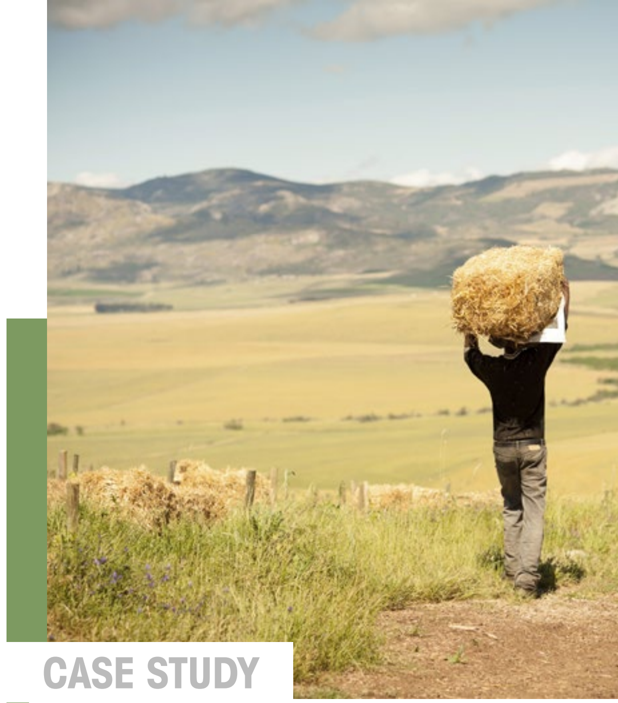
As part of its ongoing corporate responsibility programme, DHL is working in partnership with the UN to provide logistical support for its quick-response humanitarian relief system. Drawing on its transportation capabilities and expertise, the company has created a global network of **400** employees all of whom volunteer their time to the scheme and receive special training in the fundamentals of disaster management. In the event of a large-scale disaster, these teams can be mobilized at short-notice to help distribute relief aid and support humanitarian efforts by providing unloading, warehousing and inventory facilities.

To underpin these activities, DHL provides regular training sessions for staff to equip them with the necessary skills for this challenging work. They have also developed new packing and freight materials, specially designed for the demands of distribution in inaccessible regions and have agreements in place with a number of countries in disaster-prone areas to ensure that teams can be deployed as quickly as possible, avoiding bureaucratic delays.

Many Council members explain that their companies are increasingly determined not to shy away from these sort of challenges, identifying the massive capacity that corporations possess to be a force for social good and warning against being "too timid" to grapple with these big issues.

"Big business has a weight via its products and solutions; its expertise. All of our products are aimed at making people feel healthy and prosperous and we believe that we can change the lives of our consumers for the better."

At a time when governments around the world are retrenching on spending plans, Council members recognise that the vast size and reach of global corporations provides an opportunity for them to make a huge contribution to society. Many successful businesses are by their nature flexible, responsive and innovative; all qualities which make them uniquely well suited to act as catalysts for positive societal change. These types of strategic, collaborative, long-term activities not only serve as a powerful demonstration of a company's social purpose, they may just help answer some of the biggest societal challenges we face ■



CASE STUDY

Heineken's Local Sourcing Initiative

By 2020, Heineken aims to source **60%** of the raw materials for its African products from local suppliers.

As part of a programme of activities designed to move closer towards this goal, the company has been working in partnership with NGOs, government bodies and farmers to strengthen supply chains, provide credit for investment and share agricultural expertise.

Local sourcing initiatives like this help to boost the local economy and improve the lot of small hold barley farmers, providing them with greater access to markets and a secure demand for their produce. They also seek to promote environmentally friendly working practices that are equitable and economically sustainable. At the same time, the programme promises to limit Heineken's reliance on imported commodities which, in turn, enables it to reduce import duties and lower its transport related environmental footprint. Moreover, it underlines the company's commitment to the economy and communities among local stakeholders.

Heineken estimates that the schemes it has introduced in Sierra Leone, Nigeria and Burundi (sorghum); Egypt, South Africa and Rwanda (maize); Ethiopia (barley); and DRC (rice) have already improved the livelihood of 100,000 farmer families and it is looking to adopt similar strategies elsewhere in its supply chain.

5.

Reputation and growth:

Do corporate communicators value good reputation management for the worth it has today or its worth in the future?

At the Reputation Centre, we have a theory about the value of reputation which leads us to take a pragmatic approach to reputation and risk. Companies can leverage and develop their reputation for the value it has today, its future value, or both. The present value and future value of a good reputation can be used for everything from achieving a greater return for a company's spend on marketing; negotiating better terms with a business partner; to being invited by government to contribute to policy discussions. Trent Ross, Global Head of Reputation at Ipsos explains more about this in his paper *Driving Business Performance through Corporate Reputation*.[8]

Traditionally, corporate reputation was the responsibility of public affairs executives working for companies in sectors riskier than most, such as petroleum, pharmaceuticals, tobacco and alcoholic beverages. Amongst businesses in these highly regulated industries, a well-managed reputation is a tool for managing crises and weathering attacks from unfriendly governments and pressure groups. These types of clients would ask:

Will our stakeholders be willing to give us the benefit of the doubt in a difficult situation?

Will they believe us?

Are we trusted enough to shape policy?

In other words,
Have we built up enough of a licence to operate?

And this approach can sometimes be constricted with sole emphasis on tracking the opinions of elite targets.

Today, the concept of reputation has evolved to take on an additional role within our clients' businesses. We now see it being used as a tool to market more effectively to consumers and clients. Our clients are not just exclusively public and corporate affairs people - they are also professionals responsible for business development and marketing their company to consumers.

As such, the focus dovetails where, on the one hand, we are looking at senior stakeholder groups, such as government and the press, and on the other we are undertaking work with consumers. Present value clients might ask: does it make my marketing communication plans more effective? Are there reputation indicators we should watch? How should we invest in our reputation?

We explored this idea with our Reputation Council members asking them about the value of reputation in their own businesses to see how, and with whom, they utilise the value of their reputation, future or present.

Future Value of Reputation

What is important to Reputation Council members who take a strategic 'future value' view of the value of reputation is the ability to have their views heard and to be allowed to put forward their arguments in a credible way. This is frequently described as having a 'seat at the table' where companies with good reputations and relationships with government are invited to share their views on the industry, they are listened to and most importantly, they are trusted because of their good reputation.

Reputation Council members who point to the value of their reputation in giving them a seat at the table proactively engage with government, communicate clearly about the company and foster a dialogue with government stakeholders. They comment that taking this approach means they are more likely to be involved in shaping and informing future policy.

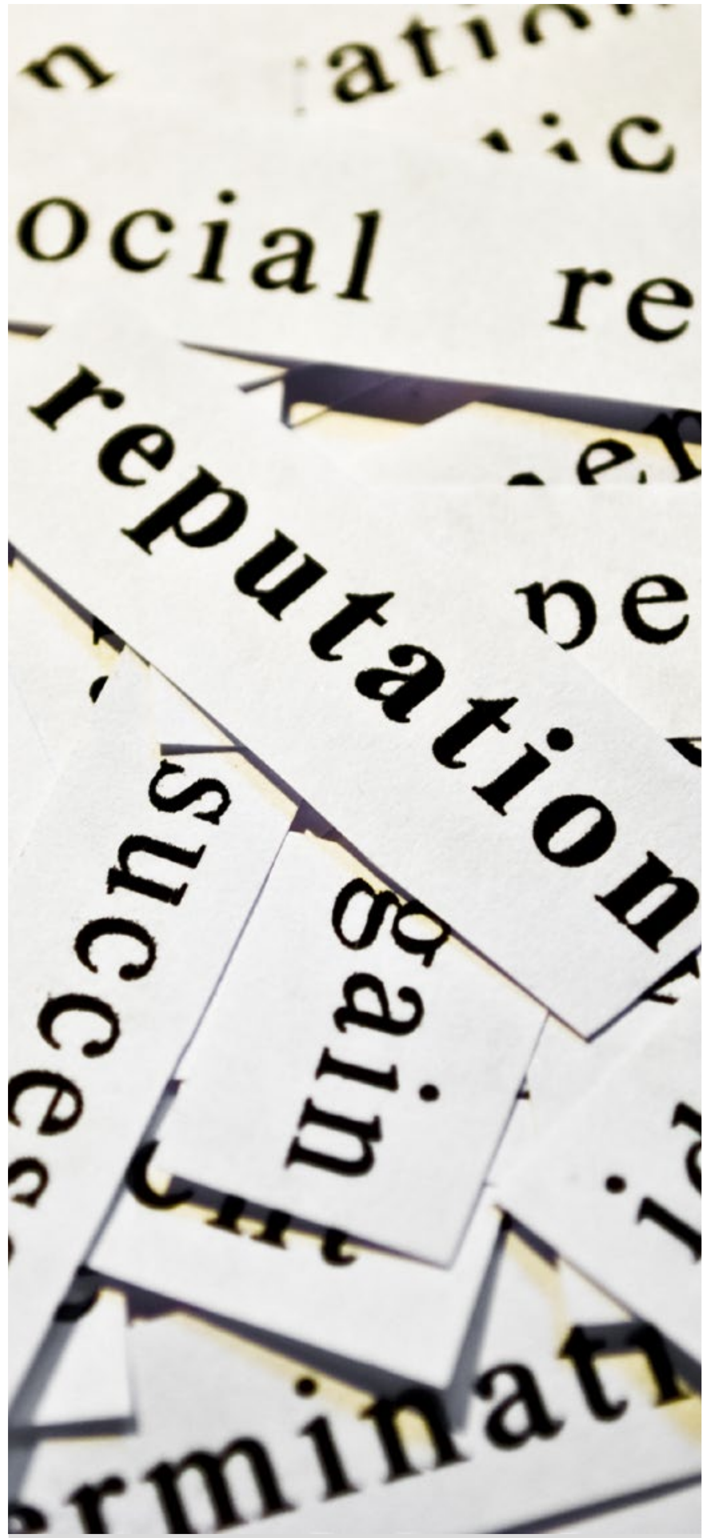
"The most important aspect of that is having a good understanding of why you are present at all, so that when difficult issues arise, they are better informed and have a better understanding of what you do and who you are, so that when the framework conditions are discussed, they do this from a good starting point."

"When you have a bad reputation, you're not invited to the seat at the table. You don't invite someone into your home to talk if you believe [they are not] transparent, or think that person has a bad behaviour."

Indeed, some Reputation Council members comment that earning a seat at the table is not just about a company's relationships with government. Instead, expressing a company's cultural values through partnerships can be a way to demonstrate to key stakeholders that a company is earning its seat. For example, a company heavily involved in a Fair Trade partnership might be asked for their opinions on the subject; building their credibility with the people they want to be heard by. The horsemeat scandal in Europe earlier this year highlights the reputational risks of being associated with a company that does not appear to share the same reputational values as your own. The example below, whilst anecdotal, illustrates how the risks of collaborating with the wrong company can be long lasting.

"In my life I have not bought a single product from one brand in particular, when I grew up [this brand] started to become big in Europe and big in Germany but then pretty soon they had those scandals around child labour in Asia and I know they have done an awfully good job in clearing all of that out, and I know that today [they] are a clean company. It is a hip company if I look at young people and among friends, but for me that still sticks with that brand forever and ever and ever and I will probably never buy [one of their] products because of what they did 30 years ago."

Where a company has a bad reputation or suffers damage to its reputation, as in the example above, interactions with stakeholders can put the company on the back foot. A company may find that they are defending themselves against accusations from government and NGOs, and answering a media agenda before they are even allowed to put their own views forward on the subject. Indeed, mitigating these risks and storing up good will with relevant stakeholders for a rainy day is central to the idea of the future value of reputation designed to aid a company should a crisis hit, for instance. One Reputation Council Member, for example, tells us about the value of their relationship with government and NGOs when their business was facing a difficult decision to close a factory:



"When you are going to start making announcements about factory closures and whatever, the government and NGOs will have a line into the company to understand what you are up to and I think a lot of this is about communications, people understanding the decisions behind making tough decisions. If you don't have a good relationship with NGOs and politicians it can make those decisions much more difficult and it can also put the media against you."

"With a less well known company you don't get that cushion, the moment you make a mistake or do something wrong they come for you."

This type of stored up good will does not just help weather the storm amongst senior stakeholders, but also with consumers and end users. A good reputation can provide the benefit of the doubt when things go wrong.

"You are more likely to forgive us when we screw something up."

Reputation Council Members working in highly regulated industries view their reputation as central to protecting their license to operate, reflecting the traditional approach to reputation management. For them, this is one of the fundamental principles that underpin the importance of having a good reputation and relationship with government and NGOs. The future value of reputation is the ability to mitigate the risk of losing legitimacy and their licence to operate; some industries are more acutely aware of this than others are:

"We work with extracting natural resources, so we are very dependent on the authorities having confidence in us, which is one of the largest premise setters for being able to extract it. This has to do with our license to operate to a very large extent"

However, businesses cannot assume they will be allowed to operate in the future as they do now. Some industries know this and will be actively engaging with government via companies' public affairs teams and their trade bodies to develop their 'insurance policy' for the future. They want to ensure they are part of setting the future direction for their industry and know having a good reputation builds trust and credibility to be able to do this. Nevertheless, as the Reputation Council member comments below illustrate, managing reputation in this way does not simply mean looking after your own interests. It can also mean shouldering some responsibility for being a leader in your industry.

"I believe that being able to take for granted that you can do your activities in the way you want to, these days have long gone, and being able to really have a license to operate has become a necessary condition for business to be able to function successfully. What you can really see is that people will scrutinise companies much more than they did 3-5 years ago and companies really need to be a champion in their field."

Indeed, having a stake in the reputation of others in the industry is important for businesses when choosing partners to work with. The extent to which partners in the supply chain align with your own values and reputation is increasingly important as businesses come under scrutiny to be more transparent. It is not just about looking out for your own future reputation and interests but also to think about the reputation of your partners and what risks they may be exposed to and the possible impact on your own organisation.

"Your reputation, is not built around you as a standalone organisation, so it has to permeate through your supply chain through your joint ventures, so if you're putting together the template in which you would like to operate, the reputational threat comes through third parties…if you have stated in your organisation that you will only pay minimal pay, and then you find that one of your joint ventures or your supply chain doesn't, that creates those reputational challenges"

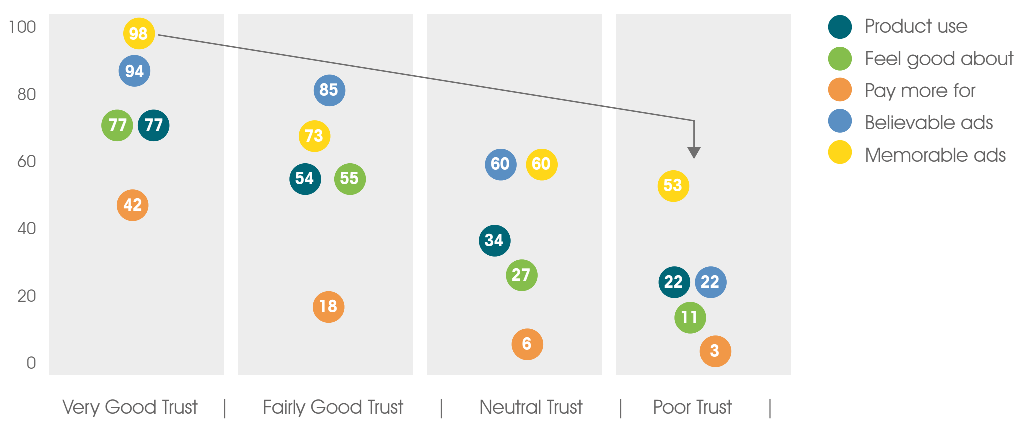
Present Value of Reputation

Clearly, the future value of reputation has great strategic importance for Council members' businesses and industries when dealing with government, NGOs, media, business partners and end users. But we also consider the way reputation has evolved, where it is utilised for its present value and what that means for companies who have strong reputations.

The Reputation Centre's own research shows there is a relationship between having a stronger reputation and marketing efficiency. This means companies with a stronger reputation have higher advertising recall, consumers are more likely to believe advertising messages, and they would be willing to pay a premium for a product or a service – in essence the better the reputation the more effective and efficient the marketing. The more people that trust a company, the more likely the company will be to perform well across a series of marketing measurements.

Relationship of trust on purchasing and advertising for an FMCG company

People who Trust the company are more likely to purchase the company's products and to find the company's commercials believable.



The survey is conducted monthly in 24 countries around the world via the Ipsos Online Panel system. The countries covered are Argentina, Australia, Belgium, Brazil, Canada, China, France, Great Britain, Germany, Hungary, India, Indonesia, Italy, Japan, Mexico, Poland, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey and the United States of America. The research is based on an international sample of 18,147 adults aged 18-64 in the US and Canada, and age 16-64 in all other countries. Sample size is approximately 1,000 per country, with the exception of Argentina, Belgium, Hungary, Indonesia, Mexico, Poland, Russia, Saudi Arabia, South Africa, South Korea, Sweden and Turkey, where each have a sample approximately 500+

The Reputation Council members confirm our thoughts on the present value of reputation and link a strong reputation to how companies differentiate themselves in the market, attract and retain customer loyalty, develop brand equity and repeat purchasing. A good reputation is a short cut for trust and quality of products and services, which is extremely important for attracting and retaining customers in a competitive context. This particular aspect of reputation is considered to be of increasing importance in today's world, where poor reputations spread quickly, and the power and strength of the consumer voice can sway opinion and quickly damage a company.

"A good reputation gives you more influence with the consumers, as well as better brand equity and sales"

"It means they will buy you, use you, engage you, in preference to somebody else."

"You prefer services and products of companies that have a better reputation, which are more reliable, and if you go to a supermarket you choose those that are better and more reliable."

Nevertheless, the present value of reputation goes beyond attracting consumers to a company's products or services. The Reputation Council members discuss how a strong reputation makes companies attractive to many stakeholders, and how utilising the present value of reputation can help facilitate the day-to-day operational activities of the business in a favourable way. Not only do Reputation Council members discuss the positive impact a good reputation can have on sales or their ability to market efficiently, but leveraging the present value of company's reputation also creates efficiencies across all areas of the business from HR to suppliers.

"Having an honest relationship with a supplier, such as paying them on time. This will allow you to get better terms and be the first one in their mind they would want to do business with. Having a good reputation in any industry is very valuable"

For example, a business with a good reputation can mean it is the preferred supplier, or it is a more attractive partner than its competitors - one that businesses actively want to work with. It can also help businesses to negotiate terms, costs and other 'nuts and bolts' aspects of running a business. A strong reputation also puts companies in the position of attracting the right talent for the business, again an important issue in a competitive market place.

"You can negotiate better deals if people feel there is an added incentive to work with you, it oils the wheels of business in a constructive way."

Managing Reputation

Reputation management has evolved in its sophistication and is being further embedded into business practices - from being operationally focussed on attracting customers and driving sales, to shaping the policy of the future. Be it the future or present value of reputation, exploring the concept with Reputation Council members reiterates the value of building and maintaining a good reputation as a strategic tool for business.

As one Reputation Council Member describes:

"Reputation is a kind of bridge between the company and its environment, its stakeholders. That bridge must be good for companies and stakeholders to meet and find solutions, to bring innovation, to bring options and alternatives, different ways to what there is today. But also to have access to warnings, comments, and critics. When a company has a good reputation, that bridge shrinks and the system around you, those stakeholders around you flow faster with you to make improvements, innovations, to criticise, to comment and they begin to feel as part of the company. Companies with a bad reputation have long and broken down bridges. For these companies, processes with stakeholders are more complex and difficult, more expensive."

And so the business of managing a corporation's reputation is becoming more and more complex, as businesses expand into new markets and stakeholder demands change. The existence of these broad trends may help explain the emergence of another trend: the fact that most Reputation Council members predict that budgets for managing reputation will increase over the next few years.

Almost nine in ten (88%) of Reputation Council members answered that reputation is important to their board in discussions about business strategy, with over half (54%) stating this is very important, highlighting the growing confidence for focus on reputation management.

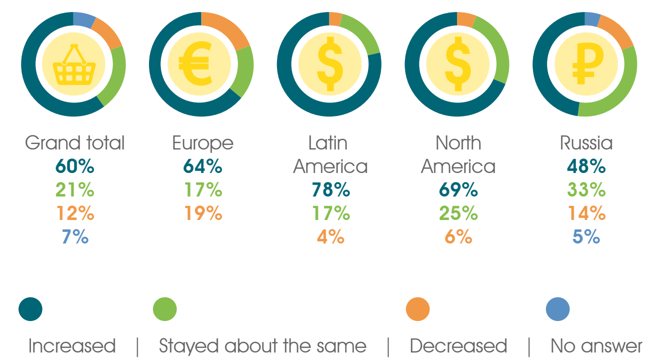
There are a wide range of reasons why Reputation Council members anticipate a growth in reputation management expenditure over the next five years. These include growth and expansion for the company, changes within the company (i.e. structurally), mergers, acquisitions and board or management change – which all present challenges to corporate communications directors on how to get their 'story' out. Some members anticipate increased spending as they continue to manage reputation rehabilitation, as in the banking sector. Those in highly regulated areas view an increased spend as necessary as reputation management is just 'par for the course'.

The majority

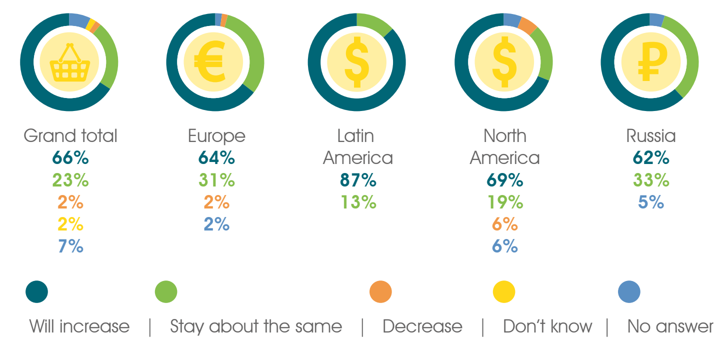
of members report that spend on reputation management over the past five years has increased.

Expenditure on reputation management

Would you say there has been an increase or decrease in expenditure on reputation management in your company in the last 5 years, or has it stayed about the same?



And how do you see expenditure on reputation management in your company changing in the next 5 years?



Base size: Grand total (113), Europe (42), Latin America (23), North America (16), Russia (21), Other (11). to July 2013 Note: Please note small base sizes, so some caution should be exercised when making comparisons. Data for India and Hong Kong are not included separately due to very small base sizes.

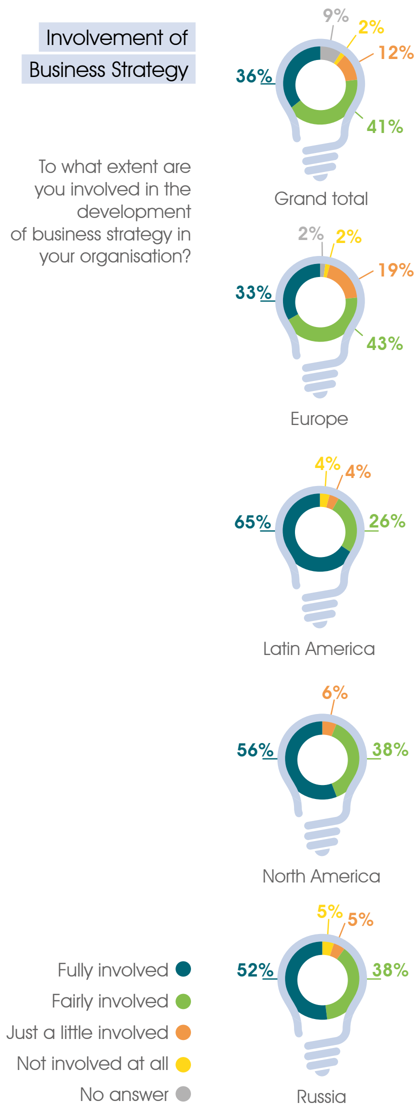
Reputation Council members also discuss the challenges associated with increased activity, specifically around how reputation management is being further integrated across their businesses. For some, reputation management is no longer just an extension of communications activities but has become something in its own right, more sophisticated, and justifies being thought of separately.

"We are increasingly putting in place initiatives that enhance the reputation of our company through our actions, and these require funding beyond just marketing/communications."

Indeed, the increasing complexity of communications channels presents challenges for managing reputation.

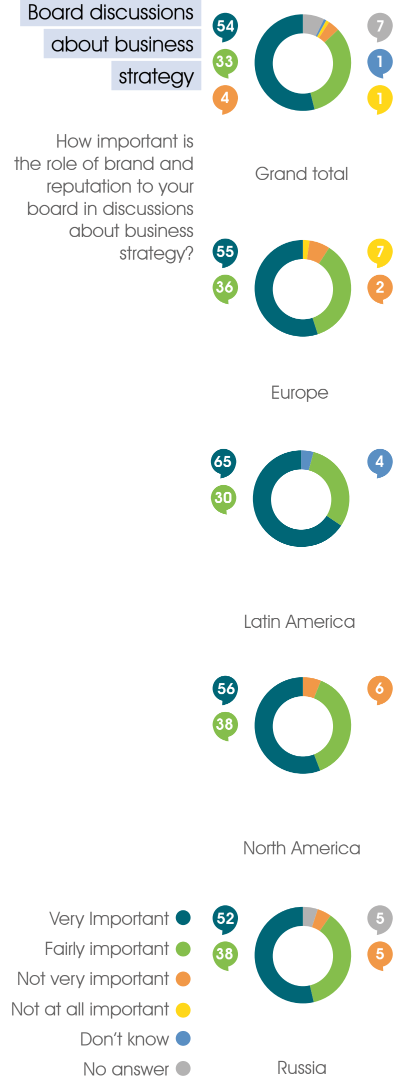
Involvement of Business Strategy

To what extent are you involved in the development of business strategy in your organisation?



Board discussions about business strategy

How important is the role of brand and reputation to your board in discussions about business strategy?



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The rapid growth of digital media means businesses now have a diverse range of communications channels available to them for communication and marketing, yet the same is true for consumers and other organisations that are able to openly discuss and to hold businesses to account. The idea that reputation is intertwined with this complex media landscape is important and is something that will need nurturing.

"As reputations are clearly more dependent on social media, engagement online and interacting with customers - reputation of company and clients gets more intertwined so we need to make sure that we continue to build and reinforce our own reputation."

Nevertheless, it is not just about online engagement. Businesses are thinking about their reputation and how it is important for all parts of the business, not just as a function of their marketing or PR exercises. For example, a company's reputation is just as important when engaging with government officials (future value) as it is building trust and confidence amongst consumers around a product or service (present value). However, as reputation becomes more important and embedded in different parts of the business it can be difficult to draw the line between where reputation management begins and ends.

"Because we continue to prove that it is commercially viable and part of the business model. What will become harder to do is define reputation management, if it is part of your commercial model then where do you draw the line. But if you just look at the overall focus and trends, I think it will increase and the reason is because it is becoming embedded into more and more of the business than other things that we do."

The challenge faced by some Reputation Council members raises an interesting question, where does responsibility lie for the management of an organisation's reputation. Some Reputation Council members take the view that reputation management is something that is the responsibility of the many, not the few. A member highlights the benefits of having a better and more sophisticated understanding of reputation amongst its senior managers. The comment below suggests this approach will help the company's overall reputation and business by getting more managers to build an understanding and develop relationships with new stakeholders as they explore and expand into new markets.

"This might be quite unique to [us] but the path we are on is one to try and create shared ownership of reputation so it is not something that just sits within the corporate relations function, it is something that every single business leader should have a handle on, should be trained in, and should know how to play a part in. And that requires investment to build capability in reputation amongst your senior leaders. And the other area where we would hopefully continue to increase investment is around reputation measurement and tracking which is essential, particularly if you look at how we are expanding into emerging markets and for them to understand the perceptions of your organisation, amongst all of your stakeholder groups and then what you want to deliver in terms of shift in that reputation, you can only do that through really good quality tracking"

Another Reputation Council member also comments on the value of opening up responsibility for reputation to more people within the organisation. In this case it was opening a corporate affairs department away from central Headquarters; having a local presence contributed to boosting their public profile.

"Because having reputation is business. As an example, only two months ago we appeared in media for the first time. "Corporate Affairs" was created only 2 years ago, this is because everything was controlled from USA, nowadays, each region does it separately. The company has had presence in the country for 25 years and no one knew who we were."

In last year's Reputation Council report similar issues emerged around whether reputation management should be organised locally or globally, and the extent to which it should be centralised or decentralised, with no clear solution one way or the other. The fact that Reputation Council members are tackling the same issues, suggests that whilst the battle continues to be won for the strategic importance of reputation management, there may be some way to go before a consensus emerges for the best way to organise reputation management ■

6.

Social media

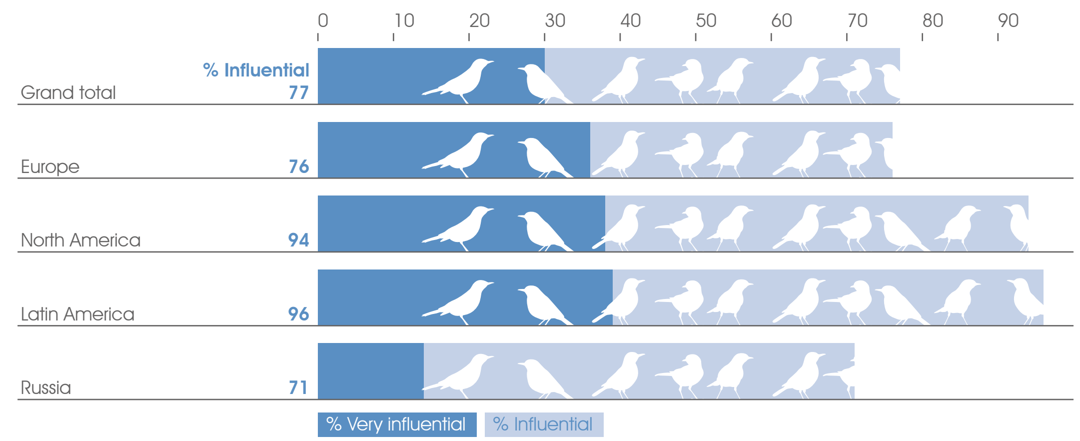
It is thirty years since the ‘invention’ of the internet and a good decade has passed since social media platforms started to emerge, and we have seen them embraced by the public and latterly, companies alike. Particularly in the second half of this era, getting involved in the social spaces has reached many business agendas. Most companies that are not already active are at least considering becoming so, while the earlier adopters are increasingly grounding their social media activities in more and more sophisticated strategies and policies.

This is something confirmed by Ipsos MORI’s Captains of Industry survey of a selection of the UK’s C-suite executives. Three in four agree their company intends to increase their use of social media or digital communications[9].

And, much as last year, findings from this year’s Reputation Council show that Reputation Council members still see social media as a communication channel that offers huge potential for corporate communicators, both in terms of offering a more immediate way to engage with consumers and as a tool for managing reputation.

Influence of social media on corporate reputation

How influentail do you think social media is in shaping a company’s reputation?



Base size: Grand total (113), Europe (42), Latin America (23), North America (16), Russia (21), Other (11). Fieldwork dates: April to July 2013 Note: Please note small base sizes, so some caution should be exercised when making comparisons. Data for India and Hong Kong are not included separately due to very small base sizes.

History of Social Media

1982

– The Internet protocol suite (TCP/IP) was standardized and the concept of a worldwide network of interconnected TCP/IP networks, called the Internet, was born.

1989

– Tim Berners-Lee began work at CERN on what was to become the World Wide Web.

1993

– CERN donated the WWW technology to the world.

– Students at National Center for Supercomputing Applications at the University of Illinois at Urbana-Champaign displayed the first graphical browser, Mosaic, and Web pages as we know them today were born.

Overall, three-quarters (77%) of members see social media as an influential channel when it comes to shaping a company's reputation. This is particularly the case in North America and Latin America where almost all of those asked concurred.

"We have found that social media is very effective at building a dialogue with specialist audiences. When we bring out key publications, what we are finding is that there actually is enormous interest online in either blogs or online discussions with people like our Chief Economist. There is tremendous opportunity for relationship building with specific audiences. We are seeing the opportunities which offer to really, really develop very specific relationships with certain audiences"

"Recently we launched an advertisement on YouTube - it got 6 million hits […] and the response on our Facebook page and Twitter was fantastic. And then the whole shift to mobile - I think 12 months ago we had one million Facebook page views per month on our customer base, now we have gone from one million to 11 million a month. It is a huge number. We've also seen a huge growth in comments on everything, from products to advertising. There is a massive growth in customers willing to feedback and to share information, because of the way the apps have been built by the software companies to encourage that behaviour."

Reputation Council members tell us however, that they still have something to learn about social media, as it remains something quicker, more direct and more amorphous than traditional media. The initial hype has died away but techniques for taking full advantage of social media and reacting to it appropriately have yet to generate a consensus amongst those involved in corporate reputation management.

Moreover, after each wave of the Reputation Council, we ask members what they would like us to cover in the next wave, and time and again social media comes up. Seemingly we still have not completely answered the questions 'What are the secrets to social media success?' and, 'What are the examples of good practice?' We may not ever be able to comprehend social media in its entirety as it presents such an evolving challenge as it grows and changes and the technology platforms advance.

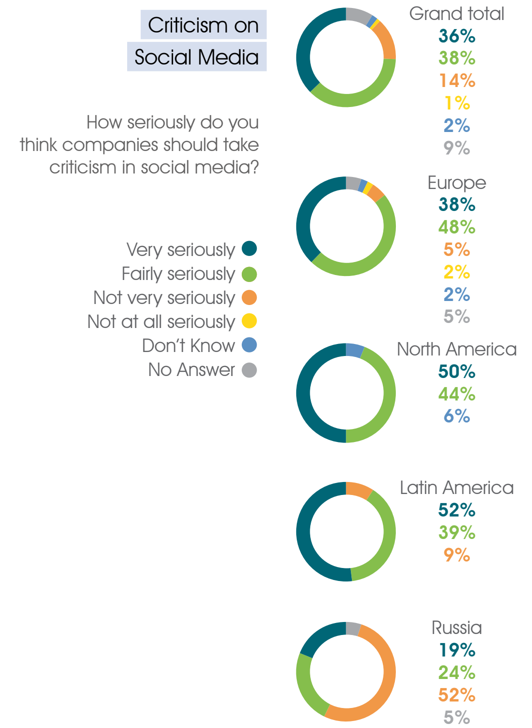
"It's a free thermometer that we did not have before"

"Social media is not different to media relations or to any of the communications that we used to do and still do. It is about understanding who your influencers are and understanding the information cycles. It is just much more direct and shorter. It is a different way of doing it but just another tool effectively."

"Now, real time, 24/7, it is very hard to predict how news goes from a blogger […] that nobody reads, apart from one person who happens to know someone on the Huffington Post, and morphs into something that has to be managed on a global context. It is a much more dynamic and fluid environment."

"I think we are terrible at it, overall. We are in a sector that has been very slow to grasp the possibilities of social media, and there are a variety of reasons for that, a lot of which is regulatory.
So there is a need for the next generation of regulators to understand that the next generation of consumers isn't going to read through lots of product information, that they will look online, they will look at comparison websites, they will look at Twitter feeds, they will do searches on Google. But the reality is they want their information, they want it quickly and they want it in a way that is easily understandable and that is all to be commended."

Three in four (74%) Reputation Council members agree that companies should take criticism in social media seriously. Exceptions to this were Russian Council members but they also pointed out that there is relatively smaller coverage of social networks in Russia.



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1994
– Beverly Hills Internet started GeoCities, which allowed users to create their own websites modelled after types of urban areas. GeoCities would cross the one million-member mark by 1997. There were 38 million user Web pages on GeoCities before it was shut down for United States users in 2009.

1995
– Newsweek headlines an article: *The Internet? Bah! Hype alert: Why cyberspace isn't, and will never be, nirvana.*[15]

1997
– The Web had one million sites.

– Jorn Barger, author of Robot Wisdom, coined the term 'weblog'.

1998
– Google opens as a major Internet search engine and index.

– Jonathan Dube from The Charlotte Observer wrote a weblog covering Hurricane Bonnie. This was the first time a news site use weblog to cover a story.

1999
– Friends Reunited was founded in Great Britain to connect past school friends.

– The term 'blog' was coined by Peter Mertholz when he broke 'weblog' to 'we blog' on his personal Peterme.com.

Good practice

A decade on from the inception of social media, the Reputation Centre has brought together all comments and words of wisdom from Reputation Council members into five key recommendations for consideration when embarking on reputation management with social media particularly when dealing with negative inferences and criticism. These are clearly not exhaustive but represent some of the key lessons learned by this group of communicators.

1. Be prepared

Always be ready to communicate your position and to explain what you are doing.

2. Do not go into crisis mode directly

Use common sense to assess the seriousness of the situation:

- Who is the source? Generally, if it is a customer take it seriously.
- How influential is this person?
- How relevant is the information for other people?

"The task is not whether to take the criticism seriously, the task is to be able to judge when isolated criticisms trend into something more of a negative campaign"

- Monitor with what speed you start to see responses and reactions. Keep in mind that generally everything in English travels a lot quicker than, for example, Hungarian, or Italian.
- The aim is to make sure to catch those things that might turn into something bigger

3. Do not respond if the comment is purely insulting

Let people express their opinions - if there is no chance of a dialogue then do not step into a minefield.

4. Do respond where things are factually inaccurate

"That is a critical role of Communications, making sure that facts are facts - that is all part of issues management. Then try and put the elements across as to why something might have happened and what you are doing about it."

5. Ideally, have a dedicated social media resource in place as part of the corporate communications function, with clear responsibilities and the ability to respond quickly

"We have a Head of Social Media and his job is to ensure that we do this in a very thoughtful way but one of the ways that we are particularly thoughtful is hiring good people and letting these guys on the front line use their judgements"

"We have a small team that look at the social media feeds, see what people are saying about us and if we notice that a customer has gone online and said something about us they contact them directly and say 'We are here to help, tell us what your complaint is about and we will help"

How to respond?

Reputation Council members suggest:

- For an individual customer complaint, engage in a direct, offline personal dialogue to settle the argument. Resolve it to the satisfaction of the customer such that ideally, they are able to tweet again to say everything is sorted out.
- If a concern is shared by many people, provide information on your Twitter feed or blog and point people to a phone number or email address for further questions or queries.
- Some issues can be self-moderated in social media, so give advocates the opportunity to intervene for you before jumping on everything. Third party endorsement can be very effective.

With all these points tone is essential and many members admit they still struggle with finding the right tenor of voice on social media. How should corporates be on platforms that are all about *conversations?* Some Reputation Council members explicitly plead for companies to engage in a more personal tone of voice.

"Social media should be about real people having real contact"

"McDonald's at the Olympics did a nice thing where they asked people to tweet photos of themselves at the Olympics and they put them on their advertising. All the best case studies put the audience first, they are not about the brand necessarily doing anything in particular, it is a two way communication."

"We still have this habit of writing every tweet as if it is the title to a press release. The people on social media expect a person on the other end"

The importance of a 'personal' tone of voice is also supported by academic research. In an experiment, Kerkhof et al. (2011) showed that a personal tone of voice in a crisis PR case study of H&M on Facebook was more effective[10]. It led to readers reporting less negative thoughts than when using a corporate tone and was perceived as more human.

And this is an area of work for many Reputation Council members in their external and indeed internal communications with employees.

2000
– The dot.com bubble burst and the future online seemed uninviting..

2001
– Wikipedia was started.
– Apple started selling iPods.
– LinkedIn was started as a business-oriented social networking site for professionals by co-founder Reid Hoffman.

2004
– Facebook was started for students at Harvard College.
– Flickr image hosting website opened.

"We have worked on personalising our senior leadership to our employees, by introducing several blogs inside the organisation. It stops this very robotic corporate speak, the over-lawyered stuff, being loud hailed from Head Office. The old-fashioned methods are just so impersonal - I do not know who they are supposed to engage with but they don't work for me, so I imagine they don't work for most people in the organisation. The blogs are just much more accessible, they are more human. You know how a lot of employees will just blame the leadership "whoever the hell they are" - that kind of amorphous grey mass at the top of the organisation. I am hoping as they see real human beings and hear about their frailties and their successes that they will just feel more motivated and want to follow those leaders. I think social media has been really helpful in that regard."

A key interesting area featuring in quite a few of our discussions with members was around successfully using social media for recruiting new employees. And not surprisingly, this is particularly fruitful for attracting new young members of staff.

"Recruiting is the area in which we've seen the highest return on our efforts. We skipped all traditional channels when recruiting, and we've invested only in social networking, and it exceeded all our expectations. We received a huge response on this, from all over the world, and with minimal financial effort."

"We recruit 35,000 people a year and the average age of our employees is 27. I think we are the biggest graduate recruiter in the world, and a lot of focus is on communicating to people who are interested in joining our business through Facebook or LinkedIn. We did an analysis of where people were going for information and discovered that they weren't necessarily going through the traditional routes that they had in the past."

2005
- Bebo, an acronym for Blog Early, Blog Often, was started as another social networking website.
- YouTube began storing and retrieving videos.

2006
- Twitter was launched and the age of tweeting began
- Google had indexed more than 25 billion web pages, 400 million queries per day, 1.3 billion images.

2007
- Apple released the iPhone.

2009
- Facebook ranked as the most-used social network worldwide with more than 200 million members. The site's traffic was twice that of MySpace.
- Citizen journalists everywhere were transfixed when Twitter broke a hard news story about a plane crash in the Hudson River.

Best-practice example of using a personal voice in online crisis communications: Deutsche Bahn handling a customer 'break up' via Facebook

Recently, at the 2013 summit of the European Association of Communications Directors (EACD), the Reputation Centre picked up an inspiring story of online crisis communications by the German national rail company Deutsche Bahn, illustrating the effectiveness of using a personal voice on Facebook.

Deutsche Bahn, in their own words 'probably the most criticized company in Germany', showed how through a surprising response to a customer's complaint, they were able to turn an accusation of being unreliable into what the media called 'a social media masterpiece'.

A Facebook user had written a touchy-feely breakup message to her 'boyfriend' (Deutsche Bahn) after he had not turned up to a 'date' for the umpteenth time (the train being delayed and eventually cancelled), clearly highlighting her bitter disappointment. Deutsche Bahn's social media team response was impressive in two ways: it was very quick (within 15 minutes) and bravely creative by adopting the persona of the abandoned boyfriend, apologizing to his 'ex-girlfriend' and fighting for a second chance. When the acclaimed new partner (Opel) and a disdained lover (Renault) also engaged in the dispute, amusement reached a climax. It all led to a very successful spin-off in the media, instead of any negative reporting on the unreliability of trains.

Deutsche Bahn concluded: thanks to an extraordinary, brave and frank dialog, a conflict was eliminated, and a crisis topic converted into a positive topic.

Milorad Ajder
European Head of the
Ipsos Global Reputation Centre

Reflects on this Deutsche Bahn case study in Management Today[11]:

"I think that in many ways this gets to the heart of how companies should behave if they want to truly connect with people and build credibility with the wider world. Deutsche Bahn managed to break out of the sanitised corporate speak that so often deters people from paying attention to what a company has to say and managed to convey a sense of personality.

The way Deutsche Bahn responded achieved three things: it acknowledged it was having a conversation with an individual (by not sending a standard response which could have gone to anyone), it demonstrated that it trusted its employees by empowering them to empathise with the feelings of the customer and communicate in the way they felt was most appropriate, and finally, given the speed of its reply, it was clear its response was not rehearsed and therefore authentic."

We expect more from brands on Social media

% Who expect response from brand **within 24 hours** by channel:

Source - Ipsos MORI Socail Media U&A Survey July 2012

Whilst 'choosing the battles carefully' when responding to criticism on online platforms is something that many Reputation Council members agreed upon, there was also a view that companies should be extremely responsive.

"It is hard, but our view is that it is best not to leave something completely unchallenged or unremarked upon – there is really no point being in an open channel environment if you then don't engage in an open way."

Indeed, ten years on from the arrival of social media, research from Ipsos MORI shows that the very presence of companies on Facebook and Twitter does raise expectations about them living by the rules of engagement in social networking, ready to respond on comments anytime. Failing to give a prompt reply might be interpreted as not taking the sender seriously and frustrate matters more.

There are plenty of examples of where Reputation Council members have experienced online success through engaging with stakeholders on social media. If done effectively, online engagement can help to build trust and ultimately contribute to companies' licence to operate. We came across a number of great anecdotes proving this and here are two which provide food for thought.

Clare Harbord
Corporate Affairs Director
Heathrow Airport Limited

We have a Twitter feed where people - passengers in particular - can talk to us and ask for assistance, and we have a team whose job it is to respond to the queries. And we respond to all sorts. So if somebody has lost something in the terminal building, we can immediately send someone out to help find it and quite literally reunite the passenger with the lost item straightaway. If somebody had missed their flight or they want help finding a hotel or they don't know where to go, Twitter allows us to respond in real time in the terminals – we can get someone there to help them. Social media is a fantastic tool for opening up channels of communication with your customers.

Roger Lowry
Head of Communications
& Marketing (Corporate Banking Division),
The Royal Bank of Scotland

When we had an IT incident we actually found that Twitter was a great way for getting up-to-date practical information out to a wide array of customers: what people could do to access their money, and also some other broader messages about the fact that people would not be left out of pocket. It also helped to put a bit of balance into some of the commentary from the media outlets, because they could see that we were engaging with customers to make it right and what we were saying.

Our scenario illustrates that, in addition to clearly saying you are sorry for the inconvenience and that you wouldn't want this to happen, you can use social media to get out there and give useful advice. The website was heavily used as well, but the benefit we found with Twitter was that people retweeted the information to people they knew as well - you don't get that with a website.

The feedback loop that social media provides points, by extension, to the question of whether social media can help organisations to build their brand and those of their products, and ultimately aid marketing. A look through the academic literature helps shed some light around whether it is possible to take advantage of positive online comments and use social media to further build the brand and reputation. When testing the effects of positive and negative consumer comments on sales, Corstjens and Umblijs (2012) found an impact of negative comments in terms of a sales decline whereas positive and neutral social media did not lead to a detectable sales impact[12].

What could make it even harder to use social media as a promotional tool is that people do not seem to share much information on brands in the social space. Preliminary findings of a new longitudinal study by researchers of the Integrated Marketing Communication Department at Northwestern University show that less than 10% of users ever mentions brands on social media (Schultz & Block, in press). Only 11% of the respondents "regularly ask for or seeks advice" from others, and nearly 19% of social media users say they "never seek or give advice" about products or services through social media.

2010

- Apple released the iPad tablet computer.
- The Democratic National Committee advertised for a social networks manager to oversee President Barack Obama's accounts on Facebook, Twitter and MySpace.
- Old Spice launched the fastest growing online viral video campaign ever, garnering 6.7 million views after 24 hours, ballooning over 23 million views after 36 hours.

2011

- More than 550 million people are on Facebook, 65 million tweets sent through Twitter each day, and 2 billion video views every day on YouTube. LinkedIn has 90 million professional users.
- Advertisers look to social 'likes' to enhance brand visibility. Starbucks passes 20 million 'likes' on Facebook.

2012

- After the State of the Union, US President Barack Obama has a Google+ Hangout to answer questions from citizens.

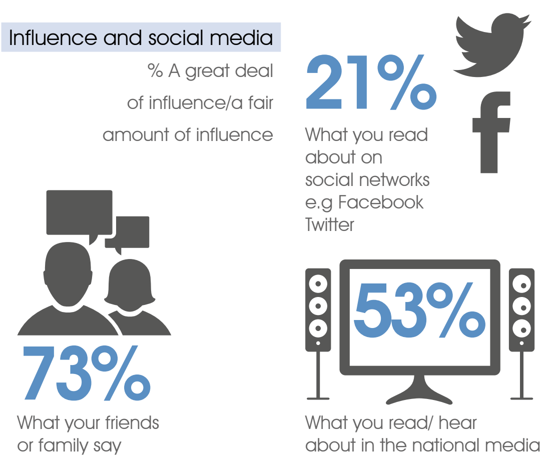
2013

- YouTube topped one billion monthly users with 4 billion views per day, and launched paid channels to provide content creators with a means of earning revenue.
- Facebook user total climbed to 1.11 billion.
- Twitter had 500 million registered users, with more than 200 million active.
- Privacy concerns continued over public sharing of personal information on social networks.[16]
- Facebook is ordered by a judge to pay users who launched a lawsuit over their 'Likes' being used as endorsements in Sponsored Stories.
- Astronauts aboard the International Space Station regularly tweeted live from space to a global audience.[17, 18, 19, 20, 21, 22, 23]

As the researchers write in Forbes magazine[13], this could indicate that social media is used primarily for social conversations among users, not to provide product recommendations to others: *“Findings from this study seem to confirm that social media usage is primarily for ‘social purposes’ and the potential for marketers invading social media vehicles or encouraging social media users to become product advocates is not only limited, but, may actually be counterproductive in terms of building brand value and brand relationships.”*

As Benady (2013) puts it in marketingmagazine.co.uk: “Critics contend that people are not receptive to brand messages in their news feeds, as they are socialising rather than in the mood for messaging.”[14]

A recent Ipsos MORI Reputation Centre survey in the UK looking at people’s reliance on different sources of information seems to support this



Ipsos MORI conducted 472 online interviews with adults aged 18-65+ in the UK. This survey was run on Ipsos MORI Connects. Ipsos MORI Connects is an online community of 1,750 adults, members have been recruited to be broadly representative of the national public in the UK. Members are invited to take part in a range of weekly activities to inform public debate, public policy and reputation management.

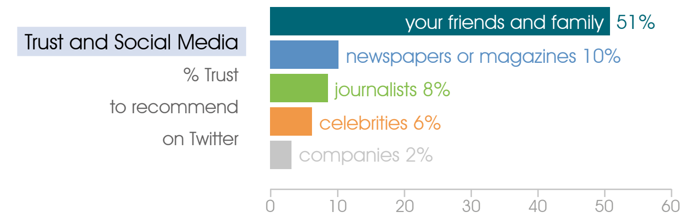
notion but from a different angle. Seemingly, consumers might take less notice of what is being said online about companies and brands than corporate communicators perhaps might assume.

Respondents tell us that social media sites are less important in terms of influencing their views on companies and brands than the national media. Over half of them (53%) report that what they hear or read in the national media influences their behaviour and this then drops to only around 1 in 5 people (21%) for social networks.

It appears that even recommendations on products or companies from friends and family, a very trusted group normally, are considerably less trusted when they are made on Twitter rather than in real life. When we asked about the importance of different sources of influence on their perceptions of companies and brands, friends and family came out on top. Almost three quarters (73%) of respondents say that this group has at least a fair amount of influence.

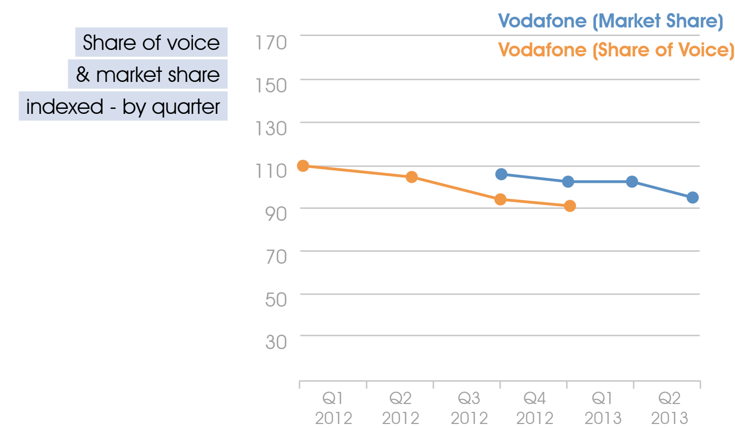
However, when we asked respondents who they would trust to recommend them a company or product on Twitter, it seems that friends and family, while still top-rated in terms of trustworthiness, had lost respondents’ confidence as a source of reliable information to some extent. Only just over half (51%) say they would trust their recommendations on Twitter.

While still clearly ahead of other sources, this indicates that what is said on social media, even by peers, is no more trusted than what people read in the paper and much less than what they hear from their friends and family through other ways. Still some companies clearly see a significant, undeniable contribution to their marketing communications and so this is an important space to watch as consumers and companies adapt to this new online environment.



Base:Ipsos MORI conducted 472 online interviews with adults aged 18-65+ in the UK. This survey was run on Ipsos MORI Connects. Ipsos MORI Connects is an online community of 1,750 adults, members have been recruited to be broadly representative of the national public in the UK. Members are invited to take part in a range of weekly activities to inform public debate, public policy and reputation management.

There is a lot of volatility in twitter but there seems to be a time lag between changes in market share and changes in twitter share of voice – Q1 2012 to Q2 2013



A further area of interesting exploration is share of voice - the percentage of all online content and conversations about a company, compared to its competitors. Some of Ipsos MORI’s research in this area indicates that share of voice in social media could be an indicator of market changes. Ipsos MORI compared social data to mobile market data and found a correlation with a six month lag. Whilst this study remains indicative at this stage it is an example of ways in which the full meaning of social media data has yet to be fully understood despite the ten or so years the public and companies have been interacting with social media.

The rapid growth of new social media channels in the last decade has made it easier than ever for consumers to access information about companies and to share opinions about products and services. Social media remains something of a double edged sword – combine a well-executed campaign with a compelling message and there is potential to generate significant amounts of reputational capital from a relatively small initial investment. Get it wrong, however, and the reputational damage can be significant. And, let’s not forget social media’s *hot potato* – whether it is possible to use social media to successfully contribute to building a brand and product marketing communications as opposed to for corporate affairs. As always, Council members are clearly attuned to the possibilities and risks and are unanimous in the belief that the influence of social media on their work will only increase in future.

7. Reputation Council – 2013 Participants, Wave 8

Our thanks once again to Reputation Council Members who took part in this wave of research.

Name	Company	Title
Hugh Davies	3	Director of Corporate Affairs
Nastasya Savina	ABBYY	Vice President Corporate Communications
Neeraj Sanan	ABP News	Chief Marketing Officer and Head-Distribution and member-Management Committee
Atle Kigen	Aker ASA	Head of Corporate Communication
Leonid Ignat	Alfa-Bank	Head of Corporate Communication
Felipe Andres Gómez	Alpina	Corporate Communications Director
Mike Scott	Alstom UK	Director of Communications
Odete Freitas	AMIL International Inc.	Director of Sustainability
James Villeneuve	Anheuser-Busch InBev	Vice President of Corporate Affairs and Communications
Marie Sigsworth	Aviva	Group Corporate Responsibility Director
Clare Harbord	BAA	Corporate Affairs Director
Charlotte Lambkin	BAE Systems	Group Communications Director
Rebecca Salt	Balfour Beatty	Group Communications Director
Ian Pascal	Baring Asset Management	Head of Marketing and Communications
Ramon Murguia	BAT	Company Transformation Manager
Fernando Jaramillo	Bavaria SABMiller	Vice President of Corporate Affairs
Carlo Reyes	BBVA	Continental BBVA Foundation Manager
Stuart Bruseth	BG Group	Director of Communications
David Ketchum	Bite	President, Asia Pacific
David Bickerton	BP	Communications Director
Michael Prescott	BT	Group Director of Corporate Affairs
S. Arun Natesh	Business Standard Ltd	Head of Marketing
Subodh Marwah	Carlsberg India	Marketing Director
Sylvia Evans	Cigna International Corporation	Marketing Manager - Global Health, Life & Accidents
Neeraj Moorjani	Cholamandalam MS General Insurance	Head of Marketing and Customer Lifecycle Management

Name	Company	Title
Julian Hunt	Coca-Cola Enterprises	Vice President Public Affairs and Communications GB
Javier Rodriguez Merino	The Coca Cola Company	Group Marketing Sustainability Director
Lauren Branston	The Coca-Cola Company	Communications Director Europe
Michael Neuwirth	The Dannon Company	Senior Director of Public Relations
Marina Balabanova	Danone	Director for Communications and Government Relations
Maria Vernomudrova	DHL	Communications Manager CIS and SE Europe
Ian Wright	Diageo	Corporate Relations Director
Kate Blakeley	Diageo	Head of Reputation Management, Western Europe
Daniel Martini	Endesa	Director of Communications
Laura La Torre	Farmacity	Director of Corporate Affairs
Lauren More	Ford	Vice President Communications
Felipe Santibáñez	Fundación Minera Escondida	Manager for Strategic Affairs
Bettina Llapur	Gas Natural Fenosa	Director of Communications and Institutional Relations
Pedro Castillo Novoa	Gas Natural Fenosa	Communications Director LATAM
Alejandro Prieto Toledo	GDF Suez Enersur	Corporate Affairs Manager
Thomasine Kamerling	GE Oil & Gas	Global Director Communications
Mina Khachatryan	Golder Electronics	Director
Sean O'Neill	Heineken	Chief Corporate Relations Director
Carsten Tilger	Henkel	Head of Corporate Communications, SVP Corporate
Hans Daems	Hitachi	Group Public Affairs Officer EMEA
Gustavo Gastelum Gómez	Holcim Apasco	Director of Public Relations and Corporate Communications
Luis Zapata	Hudbay	Corporate Communications Manager
Halvor Molland	Hydro	Vice President - Communications and Head of Media Relations
Vadim Yurko	Ingosstakh	Chief Marketing Officer
Thomas Osburg	Intel	Director Europe Corporate Affairs
Taran Deep	Jaypee Hotels	General Manager Marketing and Corporate Communication
Sarah Colamarino	Johnson & Johnson	Vice President, Corporate Communications
Juan Flores	Lindley	Corporate Director of Institutional Relations
Matt Young	Lloyds Banking	Group Corporate Affairs Director
Silvia Tripoloni	L'Oreal	Corporate Communications Director

7. Reputation Council – 2013 Participants, Wave 8

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Yuriy Karamalikov	Miel	Head of the Business Communications
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Sara Sizer	Mondelez	Director Corporate & Government Affairs, Europe
Irina Zueva	Novard	Head of Communications
Alexander Bykov	Novo Nordisk	Market Access Manager
Yana Kotukhova	Novo Nordisk	Head of GR and Corporate Relations
Nick Adams	Novo Nordisk	Vice President, Corporate Branding
Glenn Manoff	O2	Director of Communications and Sustainability
Viktoria Poygina	OTP Bank	Head of Public Relations
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Nazim Turdumambetov	Philips	Head of Corporate Communications
Miles Celic	Prudential plc	Director of Group Public Affairs and Policy
Mike Davies	PWC	Global Communications Director
Nicola Marsden	QinetiQ	Director of Communications
Kevin Nash	Quintiles Transnational Corp	Director of Corporate Communications
Nick West	Raytheon	Communications Director
Roger Lowry	RBS	Head of Communications and Marketing
Keith DeGrace	Red Bull	Vice President Marketing
Paul Abrahams	Reed Elsevier	Head of Corporate Communications
Igor Ivanov	RESO Garantia	Head of Public Relations

Name	Company	Title
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Maria Sorokina	RosBusinessConsulting	Head of Investor Relations
Mikhail Rumin	Rossgosstakh	Vice President and Chairman of ARIA Public Relations
Magdalena Morales Valentín	SABMiller Backus	Director of Sustainable Development and Corporate Affairs
Sarah Ducich	Sallie Mae	Senior Vice President Public Policy
Martha Holler	Sallie Mae	Senior Vice President Corporate Marketing and Communications
Gurdeep Singh	Sambandh Image Advisory	Director
Vasiliy Gruzdev	Servier	Director of relations with the public authorities
Tammy Smitham	Shoppers Drug Mart	Director, Communications and Corporate Affairs
Juan Carlos Corvalán	Sodimac	Legal and Corporate Social Responsibility Manager
Sally Osman	Sony Europe	Director Corporate Communications
Simon Kopec	Starwood Hotels & Resorts Worldwide Inc (Le Meridien)	Global Brand Management Specialist
Per Arne Solend	Statoil	Communications Manager
Anna Gribkova	SUN InBev Russia	Media Relations Manager
Arlene Strom	Suncor Energy Inc.	Vice President Sustainability and Communications
Sarah Hull	Syngenta	Head, Global Public and Government Affairs
Abhinav Kumar	TATA Consulting	Chief Communications and Marketing Officer - Europe
Tor Odland	Telenor	Vice President
Arturo Elías Ayub	TELMEX	Director of Strategic Alliances
Rupert Maitland-Titterton	Tetra Pak	Director, Corporate Communications, Central and North Europe
Maksim Rakov	Tetra Pak	Communications Manager
Irina Bakhtina	Unilever	Director of Communications
Don Nathan	UnitedHealth Group	Senior Vice President and Chief Communications Officer
Mikhail Kozhokin	VTB24	Deputy Chairman
Rob Corbishley	Xerox	Head of Public Relations Europe and UK
Esben Tuman	Yara	Vice President Corporate Communications

8. End Notes

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23. https://twitter.com/NASA_Astronauts

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About Ipsos Global Reputation Centre

The Ipsos Global Reputation Centre provides corporate clients and not-for-profit organizations with highly customized research that allows them to manage and build their reputation, plan, manage, and improve strategic and crisis communications, better understand their employees and audiences, and oversee stakeholder relations.