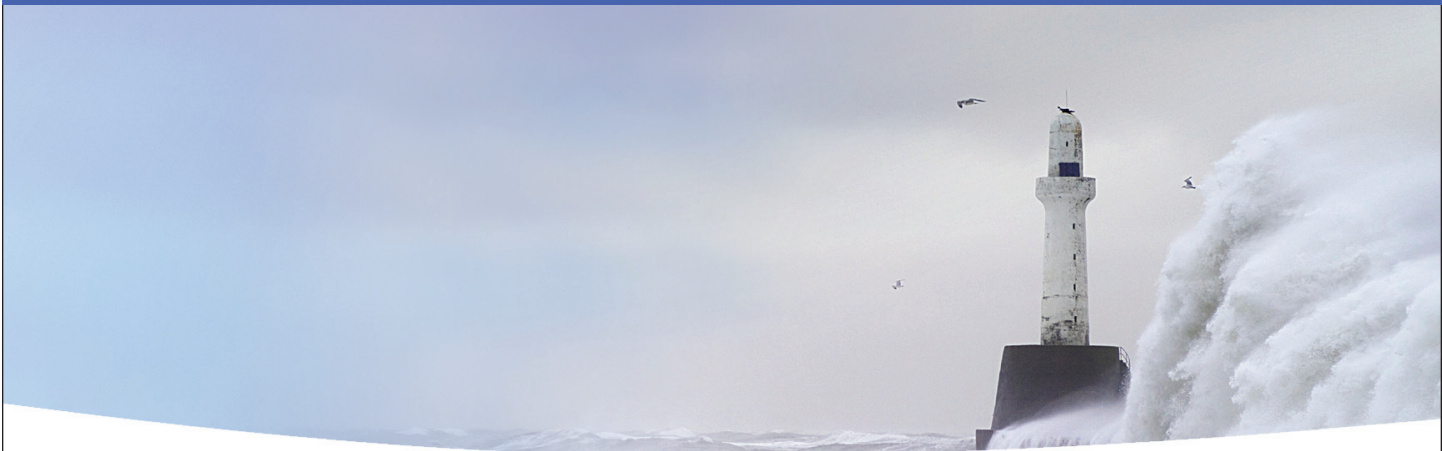


Point of View



In Search of the Holy Grail: Establishing the Link Between Corporate Reputation and the Bottom-Line.



Ipsos Public Affairs
The Social Research and Corporate Reputation Specialists

I. Introduction

The Context

The subject of corporate reputation is a veritable cottage industry these days – articles, interviews, and reports abound. Reputation and reputation management have become increasingly part of the business lexicon as business schools incorporate the concept into their curriculum.

In such a short time, corporate reputation went from being the exclusive worry of public affairs professionals managing the company's good name in risky environments to the everyday parlance of marketing heads needing to differentiate the company's offering vis-à-vis their competitors in an environment of changing consumer needs. This shift, in our opinion, is significant, though far from running its course.

Traditionally, reputation was the purview of public affairs types working in companies that had to operate in risky sectors: petroleum, tobacco, alcoholic beverages, paper and cellulose, and mining, among others. Reputation was thought of as a tool for managing crises and weathering attacks from unfriendly governments and pressure groups. Such clients would ask: Will our stakeholders be willing to give us the *benefit of the doubt* in a tight spot? Will they believe us? Do we have a sufficient reputational resiliency to weather an attack?

The concept of reputation has evolved. Indeed, it is now being used as a tool to market more effectively to consumers and clients. Our clients are no longer exclusively public affairs types but professionals responsible for marketing their company to consumers. As such, the focus is shifting from elite stakeholder publics such as government and the press to consumers.

The Problem

These new purchasers of reputation research have in turn had a profound effect on how Ipsos views reputation. No longer is a good reputation merely an insurance policy against unforeseen threats. Instead, reputation is seen as having a direct impact on consumer purchase intent and that ultimately affects the bottom-line – present value versus future value.

These new clients ask: Does my reputation have an impact on our bottom line? Does it make my marketing communication plans more effective? Are there reputation indicators we should watch? Should we invest in our reputation? Does it make good business sense?

Have we been able to make the reputation – bottom-line link? This, of course, is the million dollar question.

The Answer

The simple answer is “in part!”

We have *not* been able to make the causal link between greater profitability and a better reputation (as of yet). Naturally, this is a disappointment.

However, Ipsos has been able to show a robust link between behavioral intent and reputation. Indeed, the better the reputation the more likely people are to recall a company's advertising, believe a company's messages, be willing to pay a premium for a product or service, and feel good about using the company's products or services – *the better the reputation, the more effective the marketing*.

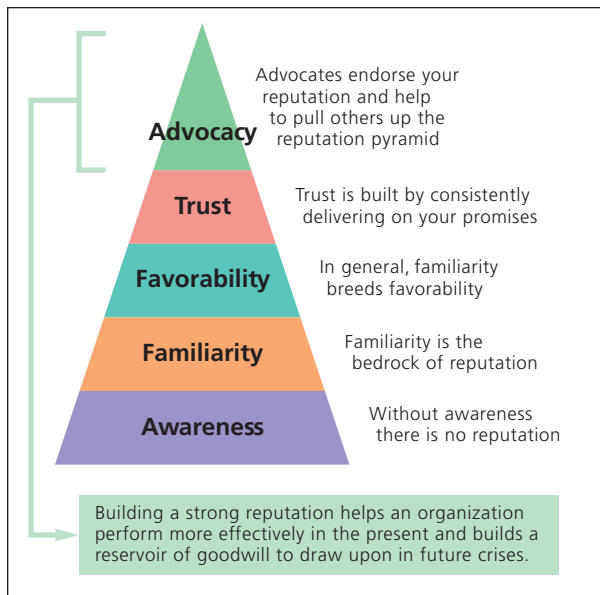
We *do not* claim that there is a one way causal link between reputation and marketing efficiency. Rather, we contend that trust, advertising, and product use actually work together in a virtuous cycle where:

- Advertising builds Trust in companies and drives consumers to its products
- Consumers' use of the products builds Trust
- Consumers who Trust a company are more likely to buy its products and to believe its advertising

This link – while not the *holy grail* of reputation research – has helped our clients make the case of active investment in reputation management. The remainder of this paper will detail the logic of marketing efficiency and its link to reputation.

II. Measuring Reputation

To measure reputation, Ipsos uses a combination of five metrics: awareness, familiarity, favorability, trust and advocacy (see Ipsos reputation pyramid below). Simply put, a company must be known to be liked; must be liked to be trusted; and must be trusted before a person is willing to advocate for it.



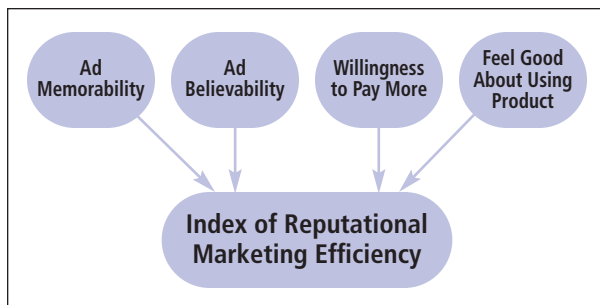
The central objective of measuring reputation this way is to move the company up the reputation pyramid. In the end, the more advocates the better!

III. Measuring marketing efficiency

To measure marketing efficiency, we use a summated index of four (4) items (see figure below).

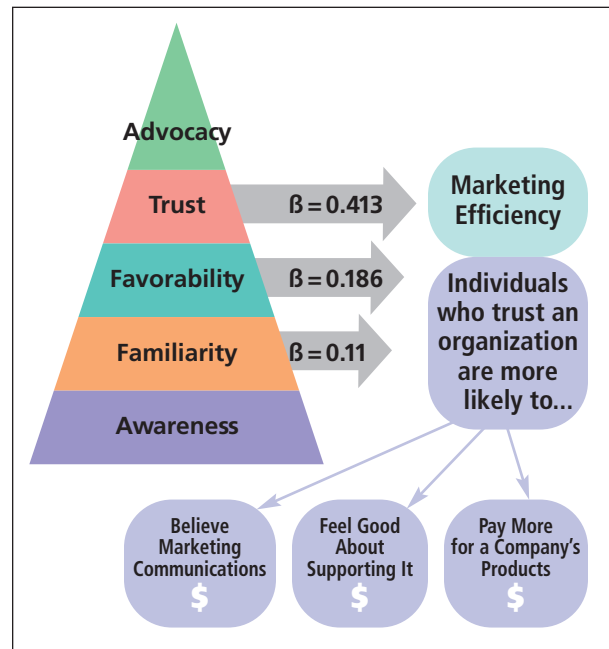
The items include: (1) ad memorability, (2) ad believability, (3) willingness to pay a premium, and (4) whether respondents feel good about using a company's products or services. The summated index is robust with a Cronbach's alpha of .590 – the industry benchmark being .5.

So is there a link between marketing efficiency and reputation?



IV. Results

The short answer is yes – there is a relationship. The results below show that the better the reputation, the greater the marketing efficiency (see figure below).

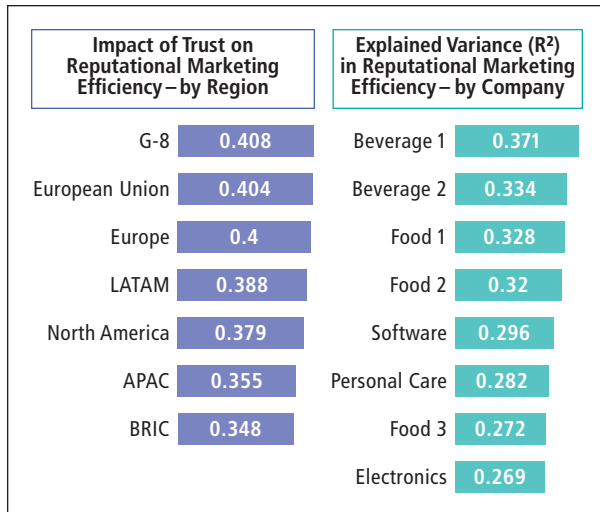


Here there is a strong correlation between reputation (trust) and marketing efficiency. More interestingly, the reputation-marketing link is stronger the higher up the reputation pyramid we go.

- Familiarity – Marketing Efficiency → correlation of .11
- Favorability – Favorability → Correlation of .186
- Trust – Marketing Efficiency → Correlation of .413

This relationship strongly suggests that reputation (trust) is the key to making marketing more efficient. Yes, familiarity and favorability are important components, yet trust is the driver of people's predisposition to believe, hear, and buy products or services.

The reputation-marketing efficiency link, in turn, is very stable across geographies and company types (see graphs below).



This consistency underscores an important point: the reputation – marketing efficiency link is not a statistical anomaly. No matter where clients are located in the world or what industry they originate from, the better the reputation, the easier it is to market to consumers!

V. Conclusions

So what have we learned? What are the takeaways? Let us spell them out below.

- Reputation management is no longer the sole responsibility of public affairs professionals in large corporations. Instead, marketing heads are beginning to see the benefits of using managing reputation to manage their business. The whole company must be involved in reputation management, not just public affairs.
- These new clients are pressured to show the bottom-line impact of reputation research: ROI implications and present value.
- To date, the causal link between greater profitability and a better reputation has not been established.
- However, Ipsos has shown that a robust association exists between a stronger reputation and greater marketing efficiency.
- The relationship between a stronger reputation and greater marketing efficiency is sufficient for clients needing to make internal arguments about the need for active investment in reputation management.

Implications

The implications are twofold.

First, reputation research is relevant for marketing, not just public affairs. Indeed, as the research shows, a company which lacks a good reputation will just have to work much harder to get its point across. Ipsos sees the next generation of reputation research as attempting to show how reputation plays at the brand and product levels.

Second, Ipsos expects that the profile of reputation clients will continually change as marketing increasingly uses reputation research as part of its toolbox. This suggests that (1) marketing may be a potential client for reputation research, (2) reputation models and methods must become more sophisticated, and (3) research firms, such as Ipsos Public Affairs, specializing in reputation research will be increasingly pressured to show a bottom-line impact of reputation research. This paper is a start in this direction.

Contact

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About Ipsos Public Affairs’ Reputation and Risk Management Practice

The Ipsos Public Affairs Reputation and Risk Management research team 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.

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