DOES CORPORATE REPUTATION MATTER IN ASIA?

Ipsos Hong Kong
Thought Piece
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A brand, whether corporate or product, is basically a promise.

OVERVIEW

Despite an improving economy and recent record highs in the stock market, nearly half -- 44% -- of financial services companies lost 5% or more business in the past 12 months due to ongoing reputation and customer satisfaction issues. Losses based on total sales of these companies are estimated at hundreds of millions of dollars. There was an average loss of 9% of business among all companies surveyed according to the 2013 Makovsky Wall Street Reputation Study in May 2013[1].

Milorad Ajder, Managing Director of Ipsos MORI's Reputation Centre in the UK, explains, "A brand, whether corporate or product, is basically a promise. Reputation is the outcome of a cognitive process (both emotional and rational) where an individual, through first-hand experience and/or word of mouth, compares the promise with the reality of the experience. It is therefore likely that if you meet or over-deliver on your promise - you help to build reputation strength and trust. However, if you under-deliver, you are essentially on the reputation escalator, going the wrong way."

This concept effectively drives reputation management process and is what Ipsos and other reputation practices measure. Brand promises create expectations, then those expectations become the benchmark against which that brand is judged, which in turn leads to the level of performance required. The key then is to ensure that communications activities articulate and promote a promise that is consistent with what is actually delivered. An effective communications strategy will be built on a clear understanding of the expectations being placed on a service, product or organization (and in many cases the industry in which it operates).

"When you meet someone for the first time who is a good listener and has interesting things to say, you intuitively trust them and after just ten minutes conversation, start consider them a friend - so companies that understand themselves, what they offer and how that links with the things you consider important - that kind of authenticity is akin to corporate gold dust. Without it a corporate advertising campaign will have marginal impact because if consumers don't believe the author means the message, then why on earth will they bother to listen? How many millions of dollars are wasted every year because an organization hasn't asked itself some fundamental questions before creating a campaign

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- do we mean this and do others think we do too?" adds Ajder.

The Makovsky Study clearly demonstrates what happens when the inauthenticity begins to affect an entire industry, tarring all companies with the same brush and hampering the ability of individual companies to positively differentiate themselves. Banking is a case in point. According to the most recent Ipsos MORI Almanac "Most consumers genuinely do not believe banks want to help them. Industries facing the greatest reputational challenges are Financial Services, Energy and Pharma. In each of these it could be argued that the biggest strategic challenge facing the corporate affairs director is to counter the view that 'you're all the same'."

CLOSING THE LOOP

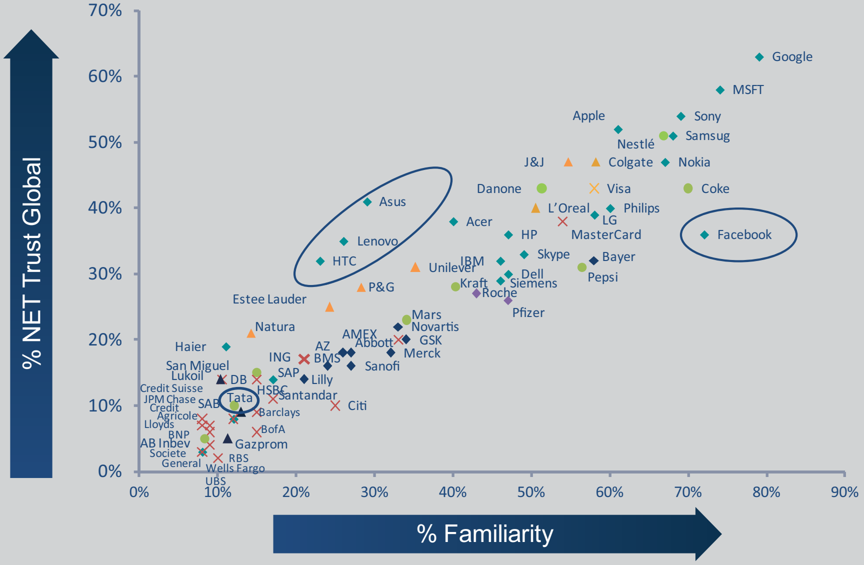
When forming a decision about buying a product or service from a particular company or organization, it is very important for three in ten (29%) respondents that it shows 'a high degree of social responsibility'. This factor is fairly important for about

half (45%) of global consumers. In Indonesia (57%), Brazil (56%), Mexico (50%) and India (45%) are most likely to consider CSR important for their purchasing decisions, according to the Ipsos Global Advisor conducted by Ipsos.

Today's approach to corporate reputation research focuses on the present value, including: marketing efficiency by measuring bottom line impact, employee retention and the ability to weigh in on issues credibly. Ipsos takes a wider audience view for corporate reputation, given that consumers now have access to vast amounts of information and are hugely influential - smart organizations also know that their employees are the company's ambassadors.

On the right is a chart from a recent survey by Ipsos showing some of the world's top brands and where they compare with each other in terms of familiarity and trust.

Familiarity and Trust Across Sectors



RISING IMPORTANCE IN ASIA

Historically, corporate reputation has often been considered a soft asset - conferring long-term, intangible benefits and a "nice to have". That is changing as Asian economies start to feel the global headwinds of slowing macro-economic growth: China has reported the slowest growth in 13 years[2] and India has halved its growth rate compared to its peak a decade ago.

"We are at an interesting inflection point in Asia. The last several years, with the rise of Sina Weibo and increased international scrutiny, Chinese companies were very willing to embrace the positive equity conferred by the rhetoric of CSR and positive reputation. Now, as the need for competitive advantage increases, the need for ensuring that the rhetoric and the reality match is becoming more apparent", notes Peter Mack, Executive Director of Marketing and Strategy, Greater China, Landor Associates.

As Asian brand owners start expanding beyond the region, corporate reputation has found a newly important role as it has shown to have tangible impact on the value of a brand asset. Despite research that shows that intangible assets of service organizations (of which reputation and brand equity comprise a major part) can account for up to 80 percent of a company's total market valuation[3] - this is only just starting to affect how strongly business decision-makers across Asia Pacific are making the link between their brand reputation and their day to day operations.

"Consumers in Asia are using their spending power as a vote of confidence in the companies they trust," says Weber Shandwick's chief reputation strategist Leslie Gaines-Ross. "Our research confirms that corporate and brand reputations are now nearly indivisible. Chinese executives in particular see that equal prominence should be given to the corporate and product brands - in fact, with nearly universal conviction. They realize that the company standing behind the brand assures consumers that they can trust the quality, ethics and safety of the brands they are buying."

But just as the rise of digital and social media has led to a shift in marketing dollars away from one-way communications channels such as advertising into disciplines that offer greater engagement and more dialogue, it has also led companies to recognize that they need to protect and leverage corporate reputation - especially in today's

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Leslie Gaines-Ross,Weber Shandwick

macro-economic environment. It's also important to remember that despite the slowing down of growth - China's 7.7% and India's 5% -these large economies are still delivering growth that developed markets around the world haven't seen in decades.

"People are now looking for both functional and emotional benefits so there is more consumer awareness and interest in knowing who is behind the product and who is behind the brand - and more importantly, consumers are starting to ask themselves 'do I agree or disagree with their values?' This is part of a global trend and not limited to Asia. If you look specifically at China and Hong Kong in the consumer health market, you'll see an almost equal emphasis on name of company as much as the brand itself," notes Ahmed ElNawawi, Director, Consumer & Market Insights, Developing Markets at Reckitt Benckiser.

IT'S ALL ABOUT THE BOTTOM LINE

For consumers and executives alike, the reputation of a company is perceived as more important than positive financial earnings. More than half of consumers say they are more confident in buying products from a company with a most admired standing than one with a positive share price forecast. Nearly six in 10 executives say they would rather see their companies in the news for a most admired standing than a positive share price forecast. The findings imply that both consumers and executives now recognize that reputation is long-lasting and enduring while financial performance can be cyclical and short-term[4].

"People want more rewards from the brands they're using, they want to do the right thing about the environment and for society. People now ask 'If I'm using this, of course it has to clean well but will it also protect the environment, take care of my family and help my kids grow up in a better society'. This significantly impacts corporate communications messaging strategy to focus on higher order benefits," adds ElNawawi.

"At the end of the day, corporate reputation has to impact the bottom line to get onto board room agendas. From a hiring point of view, a strong corporate allows organizations to differentiate from competitors so that if the role and package are the same - individuals will choose the organization with the better reputation. From a business development perspective, a good

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reputation does not guarantee success, but a poor one that is badly managed can act as a significant hindrance. It might not make the sale but it opens the door and gives you permission to do so. As Asian companies continue to expand their ability to open the right doors in international markets will become increasingly important" concludes Ajder.

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MORE ABOUT THE IPSOS MORI REPUTATION COUNCIL

The Reputation Council's mission is to increase understanding of the issues and challenges facing communicators in the corporate environment, as well as capturing an expert view on key trends, issues and events in the wider world. Council members are contacted on a quarterly basis for a short (approximately 10 minutes) confidential telephone interview. Topics covered fall into three key areas:

- Reputation management trends: this takes the form of tracking questions (questions that will be consistently asked from one survey to another). The focus is on challenges facing the communication and reputation management function, reputation and the bottom line and reputation management as an agent for change.
- Current issues/topical issues. Council members are invited to rate or comment on topical events from a communication/reputation management perspective. This could include corporate incidents such as corporate misbehaviour, product recalls or conversely examples of excellence in reputation management.
- Wider social, economic and cultural trends that impact on corporate behaviour and communications. Council members explore communications and reputation management within the context of broader issues such as the credit crunch, the environment and power of the Web2 world.

REFERENCE

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[2] http://www.bbc.co.uk/news/22376391
[3] http://www.aabri.com/manuscripts/09308.pdf
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About Ipsos:

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. In October 2011 Ipsos completed the acquisition of Synovate. The combination forms the world's third largest market research company. With offices in 84 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management.

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