UNLOCKING THE VALUE OF REPUTATION

The definitive link between corporate reputation and better business efficiency

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INTRODUCTION

The classic argument for building your reputation is that you need to put equity in the bank in case of crisis. Ipsos defines this argument as the **"future value"** of reputation, but reputation also has a very real **"present value"**.

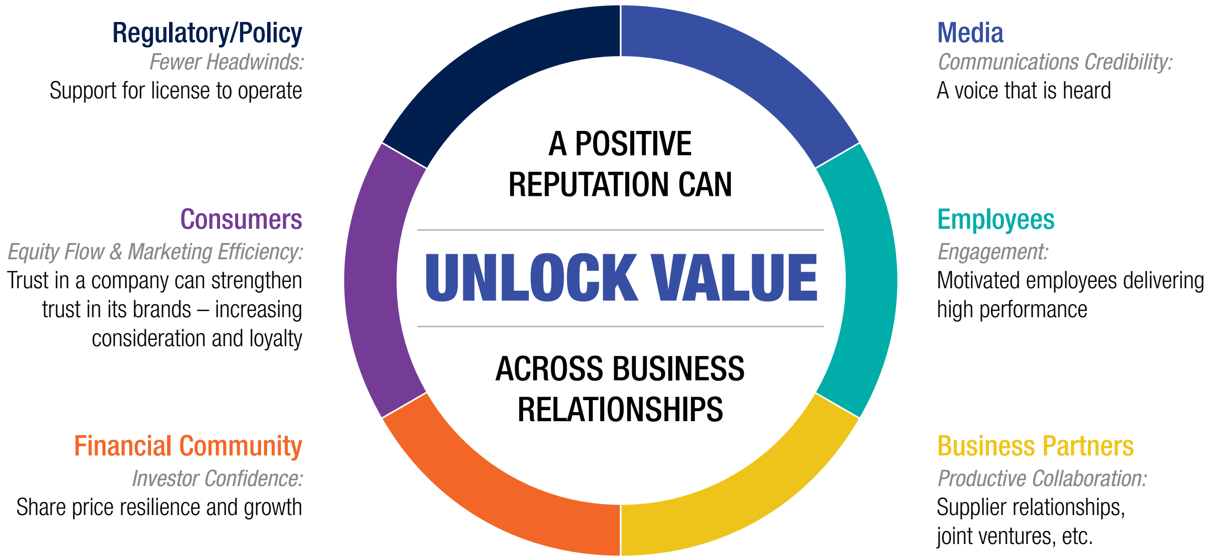
In this paper, a follow-up to our 2018 edition[1], we explore the differences between future and present value, and also go a step further to produce a **marketing efficiency index** to replicate a corporate marketing efficiency rating and facilitate cross-company and cross-market analysis. We continue to believe in the present value of corporate reputation – a good reputation can be used to drive your business performance today, in addition to establishing a reservoir of goodwill to draw upon when challenges and difficulties arise in the future.

Essentially, reputation is the grease on the wheels of industry. Building your reputation makes your relationships more efficient with each stakeholder group – regulators are less likely to interfere with your business, partners are more likely to give you good terms, the media is more likely to listen to your side of the story, and consumers are more likely to believe and act on your advertising.

Ipsos research shows conclusive proof in the relationship between corporate reputation and business efficiency. Building trust gives companies an advantage in telling their story in times of crisis, marketing their products efficiently, and turning stakeholders into advocates.

Figure 1: Unlocking value across stakeholder types

Different types of stakeholders build value for the company in different ways. Enhancing trust makes it more likely that the company will benefit from this value.



Source: Ipsos

A GOOD REPUTATION BUILDS BENEFIT OF THE DOUBT AND ENSURES YOUR VOICE IS HEARD IN A CRISIS (FUTURE VALUE)

When you trust someone, you give them the benefit of the doubt. If that person gets in trouble, you will listen to their side of the story before jumping to conclusions.

Companies seek to build the same benefit of the doubt among their stakeholders. Without a strong reputation, companies risk not having a receptive audience for their story when they need one the most.

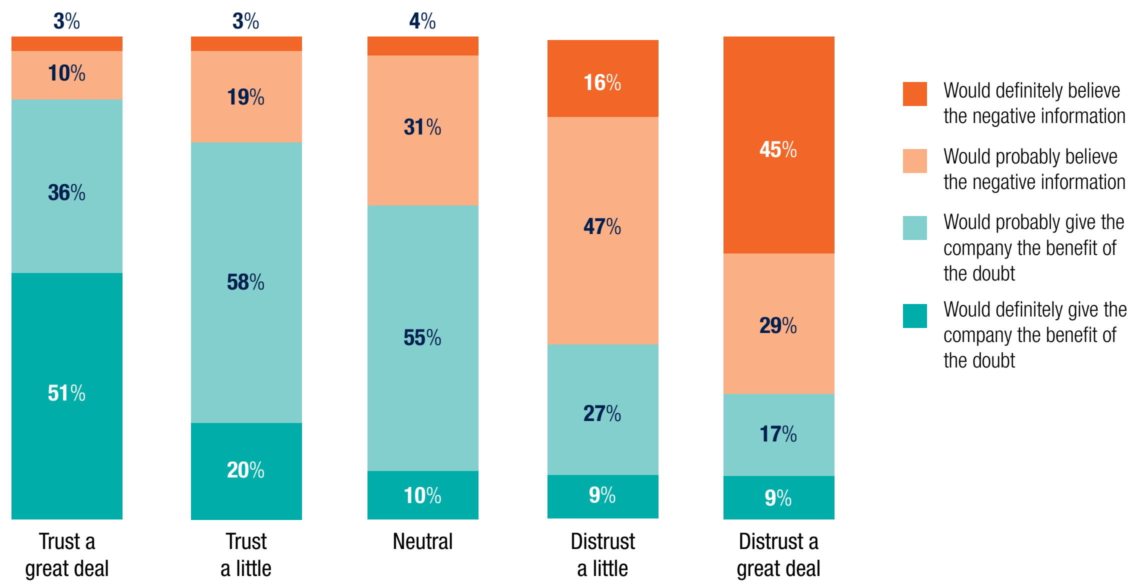
Globally, people are generally willing to give companies the benefit of the doubt (21% definitely and 49% probably). This willingness to give the benefit of the doubt is tightly linked to overall trust.

Among people who trust a company a great deal, half (51%) say they would definitely give that company the benefit of the doubt in a crisis. Among people who feel neutral towards a company, that percentage shrinks to just 10% (see Figure 2).

"When someone takes it in the neck, the first thing I ask myself is 'how much did they put in so they can withstand this debit out of their goodwill bank.' So their visibility, their transparency being connected with consumers… Those are the sorts of things that would enable you to weather the storm far better."

Ipsos Reputation Council Member

Figure 2: Benefit of the doubt and trust



Source: Ipsos Global Reputation Monitor

> The linkage between trust and benefit of the doubt is most tightly related at the ends of the spectrum – companies with the best reputation get the most benefit of the doubt, and the least trusted companies generate very little. ”

HOW BENEFIT OF THE DOUBT VARIES BY INDUSTRY AND COMPANY

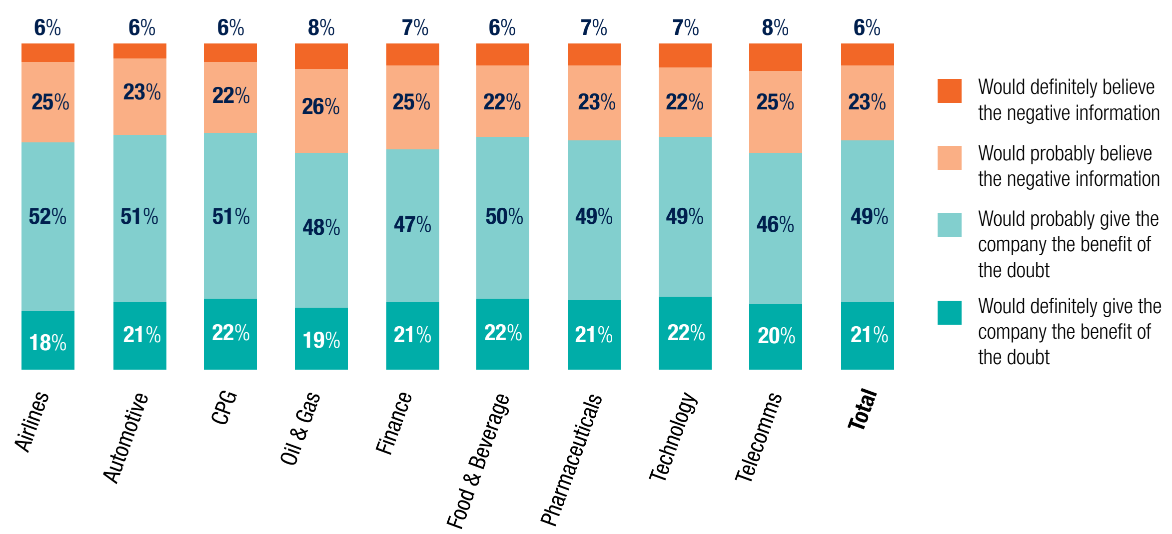
The imperative to build a strong reputation to get the benefit of the doubt is greatest in high-risk sectors. However, every company has risk and can obtain a competitive advantage by building a reputation that they can draw on in times of trouble.

While there is some variation in benefit of the doubt by industry (see Figure 3), trust plays a much greater role in providing companies benefit of the doubt than general attitudes towards the industry.

Benefit of the doubt and trust are highly correlated. When companies build trust, they are building up benefit of the doubt.

The linkage between trust and benefit of the doubt is most tightly related at the ends of the spectrum – companies with the best reputation get the most benefit of the doubt, and the least trusted companies generate very little. Companies in the middle (trust-wise) have more variance when it comes to getting the benefit of the doubt (see Figure 4).

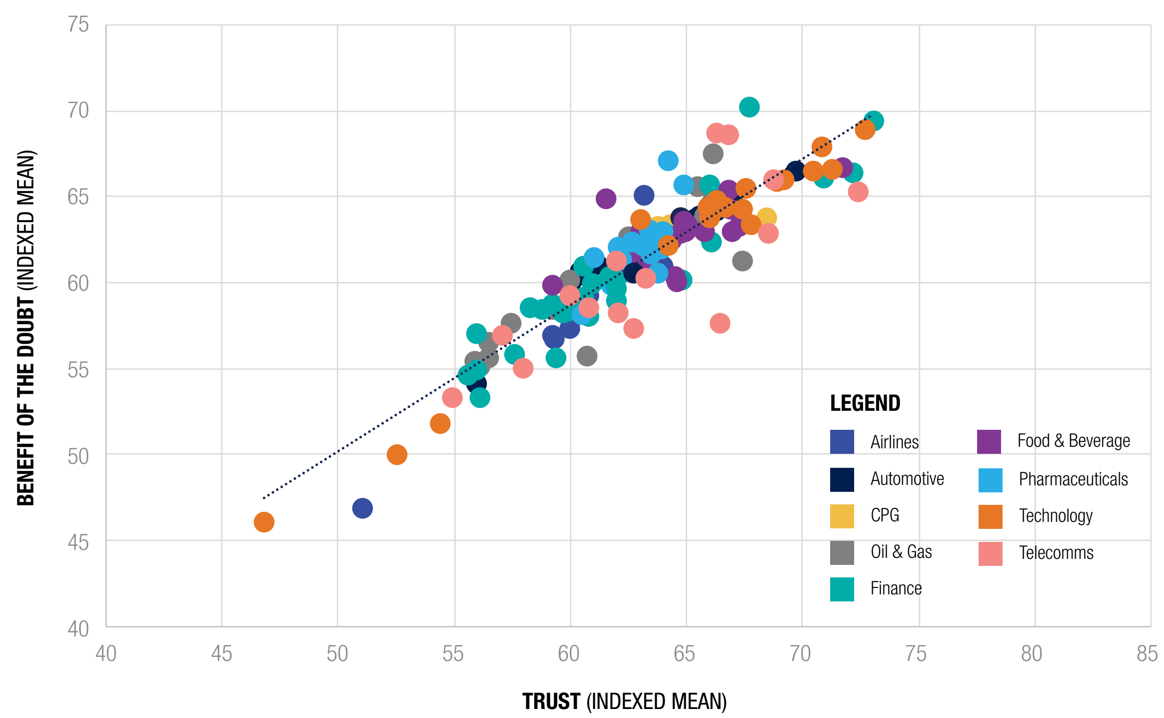
Figure 3 Benefit of the doubt by industry



Source: Ipsos Global Reputation Monitor

Figure 4 Benefit of the doubt by company

Variance explained = 81%
Increase in benefit of the doubt per level of trust = 0.85pts



Source: Ipsos Global Reputation Monitor

A GOOD REPUTATION MAKES YOUR BUSINESS RUN MORE EFFICIENTLY (PRESENT VALUE)

Building trust (a good reputation) generates greater marketing efficiency for companies. When you trust someone, you are more likely to believe what you hear and act on what you are told. Companies that are trusted gain marketing efficiencies in two ways:

1. Consumers are more likely to **see and believe** advertising from companies that they trust

2. Consumers are more likely to **act** on this advertising by purchasing goods and services while being willing to spend a premium.

Around the world, **trust has an enormous impact on advertising and product use.** People who trust a company are more likely to see the ads in the first place, to find the ads memorable, and to believe the ads. For example, of those who *"trust a great deal"* in a company, 94% are likely to believe the ads they see, compared to 48% of those who *"distrust a little"* and 32% of those who *"distrust a great deal"*. While some of this effect may be due to targeting of advertising to those who are more pre-disposed to be favourable towards a company in the first place, most of that targeting occurs at the brand rather than corporate level.

How people feel about your products and services is also dramatically impacted by trust. Feeling good about using a product/service has a linear relationship with trust – as trust increases, so does the percentage of buyers' who report feeling good about it. This is likely a mutually reinforcing cyclical relationship where product use leads to trust and vice-versa – but our research also shows plenty of people who have used a company's products or services and end up distrusting the company.

People who trust a company are more likely to see the ads in the first place, to find the ads memorable, and to believe the ads. ❞

Beyond simple usage, trust has the most impact on willingness to pay a premium. Those who trust a company most are highly likely to pay a premium, while willingness to pay a premium falls dramatically among those who have a *"neutral"* or lower trust rating.

CREATING A MARKETING EFFICIENCY INDEX

Companies seek to build marketing efficiency (which at the corporate level is defined as the ratio of advertising spend to overall sales) as a benchmark for success. In our work for clients, we have shown a strong relationship between trust and marketing efficiency at the aggregate level. We have drawn on this experience to create a marketing efficiency index that replicates this relationship at the individual level and facilitates cross-industry and cross-country analysis.

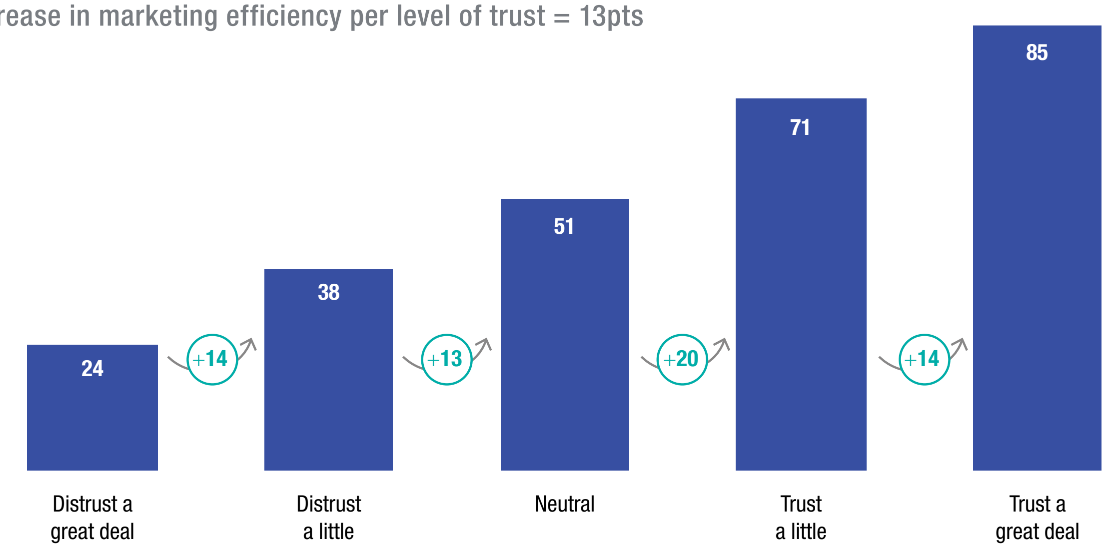
The marketing efficiency index includes each of the items where we have shown the relationship with trust globally:

- Finding advertising memorable
- Finding advertising believable
- Feeling good about using products/services
- Being willing to pay a premium.

Converting these measures to dummy variables and then adding them together yields a single index for each respondent's rating of marketing efficiency, varying from 0 to 4. Trust explains just over a quarter of the variance in marketing efficiency globally. For each point of trust, companies gain about 13 points in the marketing efficiency index – with the biggest gains coming from moving from neutral to positive trust (see Figure 5). Building trust is a financial benefit!

Figure 5: Marketing efficiency index by trust | All companies

Variance explained = 27%
Increase in marketing efficiency per level of trust = 13pts

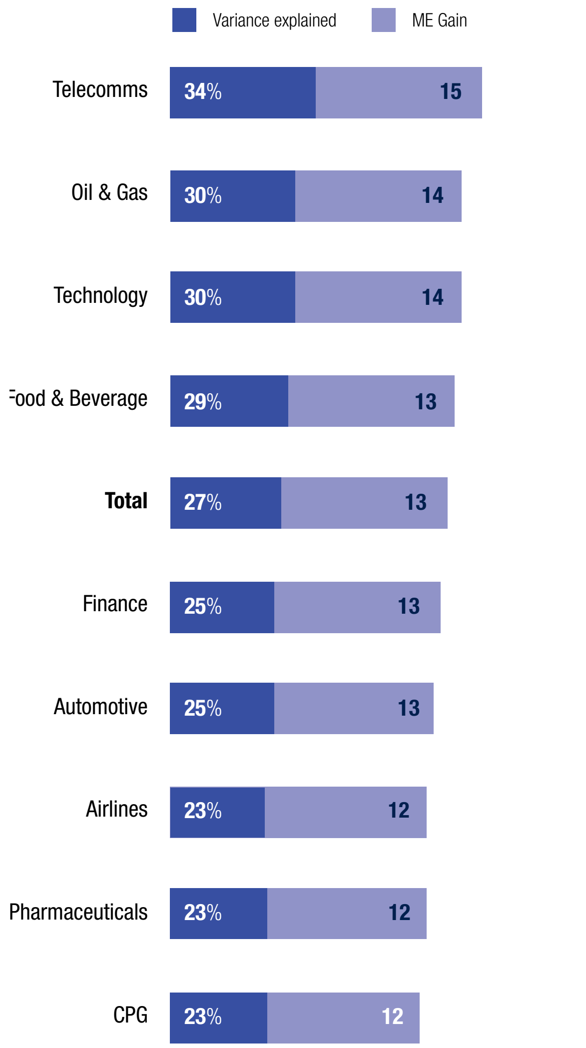


Source: Ipsos Global Reputation Monitor

BY INDUSTRY

Trust explains more of the variance in marketing efficiency for Telecomms, Oil & Gas, Technology, and Food & Beverage; but all industries gain between 12 and 15 points of marketing efficiency for each level of trust (see Figure 6).

Figure 6: Trust and marketing efficiency | By industry

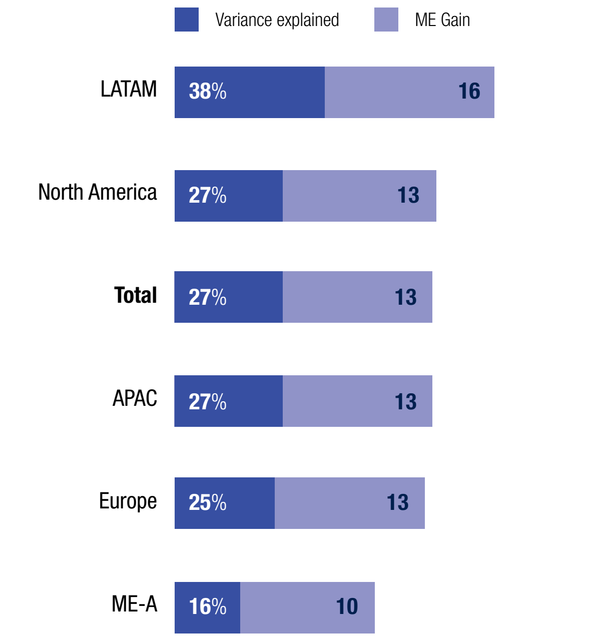


Source: Ipsos Global Reputation Monitor

BY REGION

Trust explains more of the variance in marketing efficiency in Latin America and less of the variance in the Middle East/Africa; but companies gain between 10 and 16 points of marketing efficiency for each level of trust across the regions (see Figure 7).

Figure 7: Trust and marketing efficiency | By region



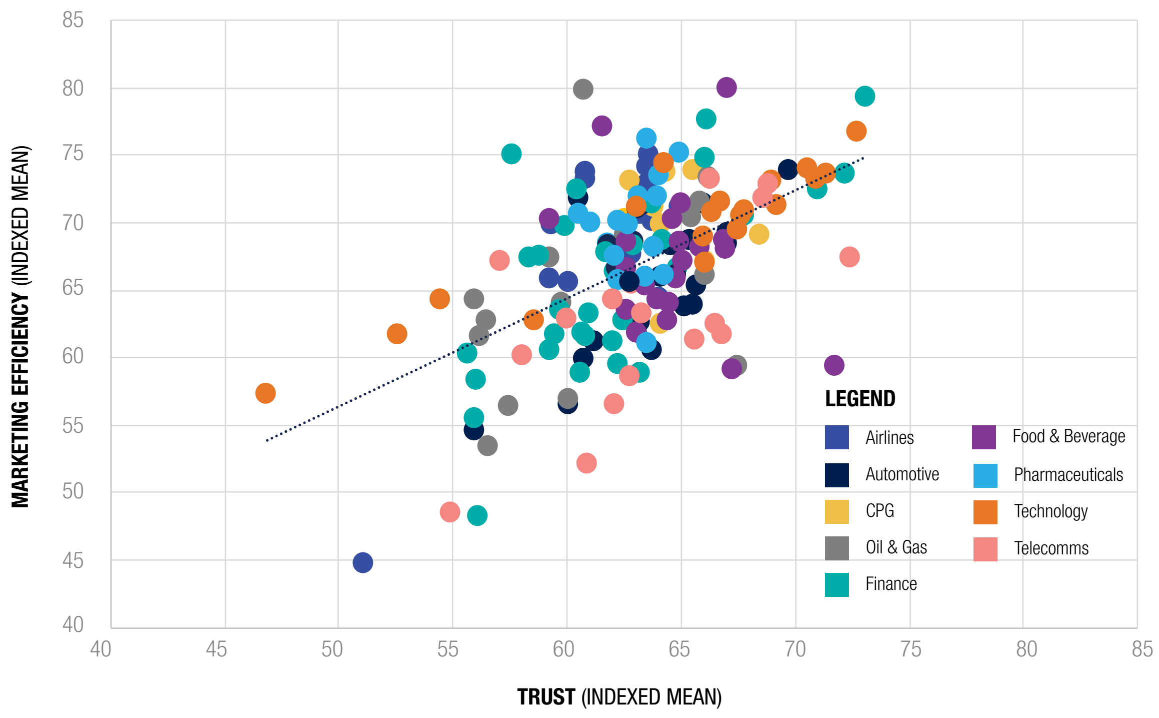
Source: Ipsos Global Reputation Monitor

BY COMPANY

The impact of trust on marketing efficiency does not explain all of the variance in marketing efficiency – there are obviously many other factors. But analysing the impact by company provides a strong case for building trust to build marketing efficiency. The biggest outliners are Food & Beverage, where a couple of very well trusted companies have lower marketing efficiency, and in Financial Services where there are a handful of less trusted companies that nonetheless have fairly high marketing efficiency (see Figure 8).

Figure 8: Trust and marketing effiency | By company

Variance explained = 29%
Increase in marketing efficiency per level of trust = 20pts



Source: Ipsos Global Reputation Monitor

IN SUMMARY

- Corporate reputation strongly impacts business efficiency. A strong reputation cultivates better relationships with important stakeholders – those whose support helps a business to deliver its objectives.

- Trust increases marketing efficiency across industries and geographies; consumers are more likely to engage with, and act upon, advertising from the companies they trust. Trust also positively impacts buyers' feelings towards a company's products/services and their willingness to pay a premium.

- Building trust creates reserves of equity that companies can use for improving business performance, alongside better potential outcomes when facing unforeseen difficulties.

- Having a good reputation ensures a company's voice is heard during crises and that they are given the benefit of the doubt. Trust plays a significant role in this, acting as a safety net, with over half of the people who trust a company likely to support it during a crisis.

- Building a strong reputation to gain benefit of the doubt is crucial in all sectors, especially high-risk ones. Trust and benefit of the doubt are highly correlated; as trust increases, so does the potential for support in challenging times.

CONCLUSION

Building trust (which is the same as building reputation) yields both present and future value in the form of equity that companies can store away for a rainy day, as well as equity that companies can use now to improve their business performance. Having trust makes all relationships better – even business relationships. In the case of reputation and consumers, building trust makes it easier for companies to make money efficiently while also preparing themselves for future crises.

For corporate communications professionals, the value of being trusted is clear. Our findings highlight the positive, symbiotic relationships that can exist between the corporate communications and marketing functions. There is a strong argument to consistently prioritise and invest in trust building (and maintenance) activity to improve stakeholder relationships. The benefits from increased marketing efficiency and consumer engagement, and the value of nurturing deep reserves of goodwill, represent a strong business case for investing time, money and resources in the actions and messaging that will help to foster trust.

REFERENCES

1. Unlocking the Value of Reputation: The definitive link between corporate reputation and better business efficiency (2018 edition) https://www.ipsos.com/en/unlocking-value-reputation

FURTHER READING

- Corporate Reputation: The key questions answered https://www.ipsos.com/en/corporate-reputation-key-questions-answered

- The Ipsos ESG Council Report 2023 https://www.ipsos.com/en/esg-council-report-2023

- The Reputation Council Report 2022 https://www.ipsos.com/en/reputation-council-report-2022

METHODOLOGY

The latest wave of the Ipsos Global Reputation Monitor measured attitudes towards 172 companies, across 9 industries, in 24 countries, and among over 20,000 consumers in December 2022. All figures at the industry level are comprised from individual company ratings.

ABOUT IPSOS CORPORATE REPUTATION

Ipsos Corporate Reputation has been a leader in reputation research for over 40 years and we work for some of the biggest corporations in the world. Our mission is to provide critical insights and advice that helps our clients build resilient reputations and stronger stakeholder relationships. And we deploy a unique blend of traditional and digital research techniques delivered by dedicated reputation research specialists across the world.

Our approach includes:

- Measuring overall reputation performance
- Identifying the drivers that shape a robust ESG strategy
- ESG and reputation risk assessment
- Advising on stakeholder engagement
- Measuring and managing the impact of a crisis

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