Ipsos Public Affairs

For Companies in Unpopular Industries, the Silver Lining Is a Greater Opportunity to Stand Out

While leading companies in popular industries are only marginally better rated than their sector in general, the gap in favorability can be extremely wide between individual companies in difficult industries and their sector

New York, NY – Since 2006, Ipsos Public Affairs has been studying and tracking the corporate reputation of over one hundred leading corporations in the United States, and of over thirty different economic sectors or industries with a research program named I-Rep American Public[1].

The results from this study show an interesting pattern: in sectors that are poorly rated – e.g., the oil and gas, mortgage-lenders and pharmaceutical industries – individual companies can receive surprisingly high favorability ratings. The wide gap between industry favorability scores and company favorability scores suggests that companies that operate in a challenging environment, but nurture their reputation can truly stand out. In contrast, the gap between favorability scores for popular industries such as information technology, food and beverage, and household cleaning products and those for the best-scoring companies in these sectors is not as wide.

These findings suggest that an equal gain in favorability provides a greater opportunity for a company in an unpopular sector to distinguish itself from its category than it does for a company in a well-liked sector. Considering that favorability is highly correlated with familiarity in all sectors, one could argue that equal gains in awareness and familiarity would have a higher relative impact on the image of a company operating in a poorly-liked sector than it would on the image of, say an IT or a CPG company. As awareness and familiarity result from exposure (through marketing, advertising, media coverage, etc.) the logical next step is to posit that companies in difficult sectors get a bigger return for their communications efforts than do those companies in more popular sectors.

Looking at data recently collected through I-Rep American Public, Ipsos Public Affairs compared favorability scores for each of eight sectors and those for specific companies within these sectors. More precisely, the metric used for the analysis is the “net favorability” score for each industry or company, calculated by subtracting the percentage of unfavorable responses (“very unfavorable” or “somewhat unfavorable”) from the percentage of favorable responses (“very favorable” or “somewhat favorable”).[2]

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[1] I-Rep American Public is an online bi-annual tracking subscription study on the reputation of major companies and sectors among U.S. adults.

[2] Question asked for the sector: “*Please indicate your overall opinion of the following industries/sectors*”. Question asked for the company: “*Please indicate your overall opinion of each company, based on your own experience, or what you may have seen or heard, or even just your general impression*”. (Scale for both questions: *Very favorable, somewhat favorable, neither favorable nor unfavorable, somewhat unfavorable*, and *very unfavorable*.)

We have focused our analysis on eight sectors with diverse levels of net favorability and on a total of 51 companies operating in these sectors:

(a) three sectors that consistently enjoy high levels of net favorability among the American public -- the *information technology*, *food and beverage* and *household cleaning product* industries;

(b) two sectors that are relatively unpopular as they receive almost as many unfavorable opinions as favorable opinions: the *automotive* and *payment cards* industries; and

(c) three sectors with negative net favorability scores: the *oil and gas* industry, which has had a very poor image for a long time, the *mortgage lending* sector, which has only recently become as unpopular as the oil and gas industry and the *pharmaceutical sector* which now receives slightly more negative than positive ratings.

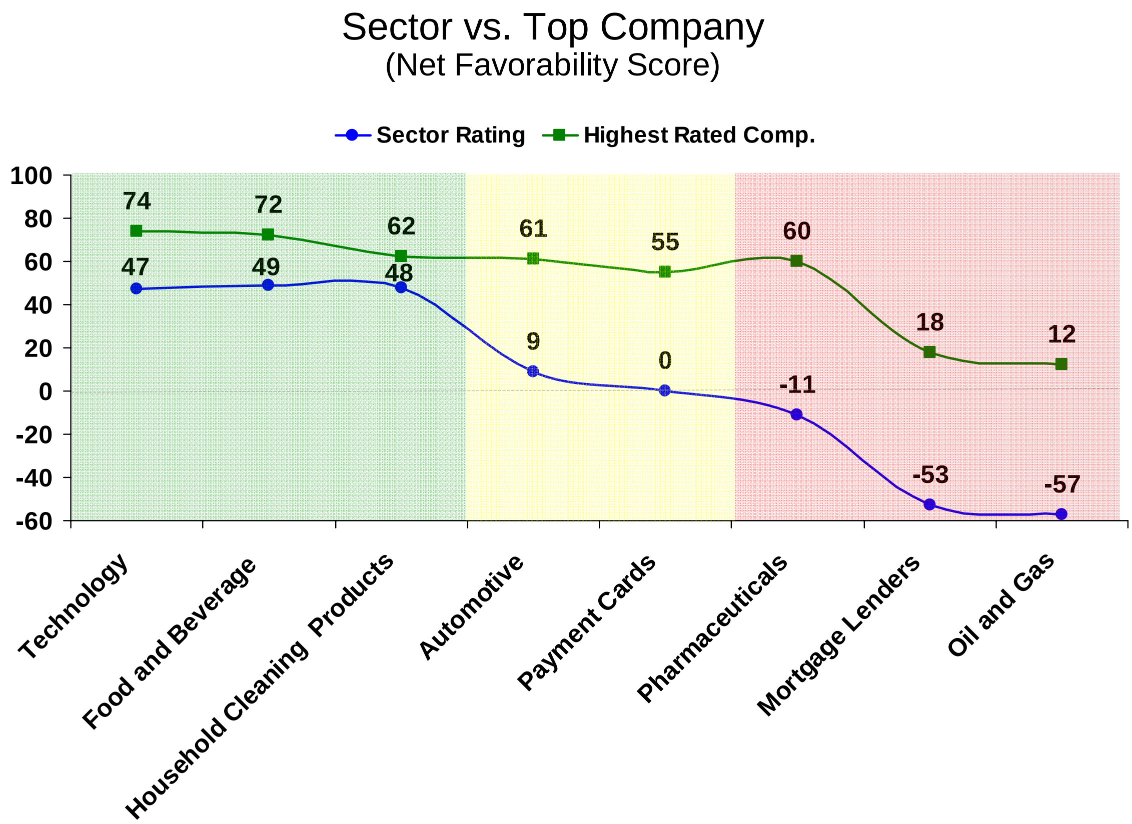
Our analysis shows that, while the net favorability score for the *information technology* sector is +47 (as 56% have a favorable opinion of it and 9% an unfavorable opinion of it, the remainder being neutral), the score for the highest rated company in the IT sector is +74. Therefore, the gap between the best-rated IT company's net favorability score and that of the sector in general is 27 points. In the *food and beverage* sector, the results are similar; the net favorability score for the sector is +49, while the top company's score is +72, showing a gap of 23 points. In the other "popular" sector in our analysis – *household cleaning products* – the gap between the top-rated company's score (+62) and the sector's score (+48) is only 14 points. In sum, among those three "popular" sectors, the best-rated company's score never exceeds that of its sector in general by as much as 30 points.

In contrast, "unpopular" sectors previously mentioned show considerably larger gaps between the best-rated company's score in its sector and that sector's score.

The *oil and gas* sector has a net favorability score of -57 (indeed 69% have an unfavorable opinion of it compared with only 12% who view it favorably), while one major company in the sector has a score of +12. This represents a gap of 69 points, or threefold the gap observed in the *food and beverage* sector. The results for the *mortgage lenders* sector are similar: while the sector's net score is -53, the net favorability score for one of the key players in that industry is +18, a gap of 71 points. And in the *pharmaceutical industry*, the best-rated company enjoys a net score of +60 while the sector's is -11 — also a gap of 71 points. In all three sectors with a net negative score, the gap approximates 70 points.

The picture in the "relatively unpopular" sectors is barely any better: The *payment cards* sector shows a gap of 55 points and the *automotive* sector a gap of 52 points. (See graph below[3])

[3] Data from several waves of I-Rep American Public: S'06 Wave n=2,024; W'07 Wave n= 3,715; S'07 Wave n= 4,570; W'08 Wave n= 1,050; F'08 Wave n= 1,006.



As we mentioned before, extensive research demonstrates that familiarity breeds favorability; which means that generally, with the right conditions, the more a company is well known, the better it is liked. However, in order for familiarity to translate into favorability, the type of exposure feeding familiarity plays a major role. Research shows that unlike the old cliché, there is such a thing as "bad publicity".

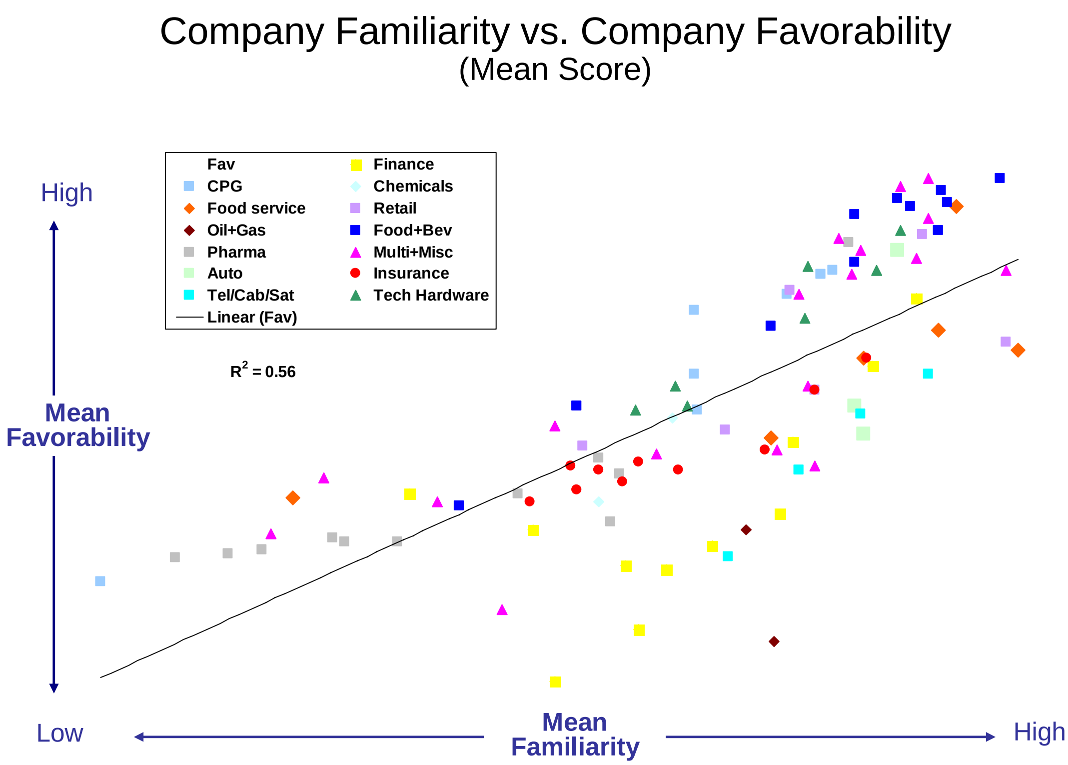
To illustrate this point we have taken two companies from the *mortgage lenders* sector; one that is 'known at least a little' by 54% of the general public (Lender A), and one known by 36% of the general public (Lender B). Between these companies there is an 18-point gap in favor of Lender A when it comes to familiarity. In terms of favorability, however, the story is different; Lender A's net score is -16 (as 14% have a favorable opinion of it, 30% an unfavorable opinion of it and 57% are neutral), compared to +18 for Lender B (20% have a favorable opinion, 2% an unfavorable opinion of it and 78% are neutral). While both companies were measured at different times[4], the interesting point is that due to the negative media exposure presented by Lender A at the time of the survey, the favorability score was impacted negatively despite of its comparatively high familiarity.

The generally popular food and beverage sector, which has not suffered from the same type of negative exposure as the mortgage lending sector, presents a very different picture. When comparing Food Company A's and Food Company B's familiarity levels (94% and 45%, respectively) – the measured companies in the *food and beverage* sector with the highest and

[4] Lender B was measured in August 2007, while Lender A was measured in October 2008

lowest familiarity scores[5], one can observe that the gap between their familiarity scores is exactly the same as the gap between their net favorability scores (+66 for Food Company A and +17 for Food Company B), 49 points.

We have also compared familiarity and favorability of over one hundred companies measured by I-Rep American Public since 2006, and while the relationship is not as linear as it is with Food Companies A and B, it is undeniably present (see graph below).



Two important conclusions can be drawn from these analyses. First, there is a clear relationship between familiarity and favorability; however, in order for the relationship to be positive and to translate into an increment in favorability, the exposure that feeds familiarity must be positive. Second; for companies in unpopular sectors, a gain in familiarity resulting from positive exposure is likely to create a more effective differentiation from its sector than for companies in popular industries.

One could argue that it is in times of sector-wide crisis – when overall sector favorability is low – that companies committed to enhancing their reputation can most efficiently differentiate themselves from their direct competitors and emerge as reputation leaders in their sector. Undertaking a careful examination and evaluation of their reputation is an important first step that companies can take to stand out.

[5] Out of 11 companies measured to date by I-Rep American Public

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