

THINKING REPUTATION

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» INTERVIEW WITH SARA SIZER,
MONDELÉZ INTERNATIONAL

CORPORATE RESPONSIBILITY

» THE CASE FOR ENLIGHTENED
SELF INTEREST

HOW DEUTSCHE BAHN TURNED ITS REPUTATION ON ITS HEAD



THE PROOF OF THE PUDDING

» BUILDING TRUST THROUGH
EXCELLENT SERVICE

IPSOS GLOBAL REPUTATION CENTRE

» REPUTATION SNAPSHOT FOR THE
PHARMACEUTICAL SECTOR

THINKING REPUTATION IN THIS EDITION:

Milorad Ajder

Managing Director



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Welcome to **Thinking Reputation** – including news, views and updates on our latest research findings, from Ipsos MORI's Reputation Centre.

In this edition:

Sara Sizer, Senior Director of Corporate and Government Affairs at Mondelez International in Europe, talks to Milorad Ajder, Managing Director about the challenges of reputation management when an organisation is in transition. >>

There is little doubt that the concept of enlightened self-interest is gathering pace and support in the corporate environment. Matt Cavill explores the issues companies face when seeking to balance sustainable business practice with overall corporate strategy. >>

Strong reputations are built on strong relationships. Milorad Ajder reflects on how Deutsche Bahn managed to make a real connection with one of its customers. >>

Companies seem to be increasingly sandwiched between a hostile media and cynical consumers. Helen Lamb asks the question; how do companies regain trust? >>

Findings from our global reputation study on the pharmaceutical sector. >>

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DELIVERING THE GOODS: INTERVIEW WITH SARA SIZER, MONDELÉZ INTERNATIONAL

MILORAD AJDER IN CONVERSATION
WITH SARA SIZER, SENIOR DIRECTOR OF
CORPORATE & GOVERNMENT AFFAIRS,
EUROPE AT MONDELÉZ INTERNATIONAL
(FORMERLY PART OF KRAFT FOODS).



Can you tell us about your role at Mondelez and what your remit is?

My current job title is Senior Director Corporate & Government Affairs, Europe and I cover most of the functional disciplines with the exception of investor relations, which sits within the United States' remit. My responsibilities include internal and external communications, government affairs and sustainability. The relationship with the consumer is the responsibility of the brand marketing teams.

Where does corporate and government affairs sit within Mondelez' structure?

Corporate affairs is unusual in that it still has a functional direct reporting line to the top. Ultimately, I report to Chicago and the Senior Vice President of Corporate Affairs. However, I also have a strong day-to-day dotted line to the President of Europe on the operational side and I am part of his leadership team for Europe.

You have been going through a period of re-organisation following the spin-off of the North American grocery business, Kraft Foods Group, Inc and the re-brand of the company as Mondelez International. The idea behind which we understand, was to create a low-growth, high-yield, cost-focused North American packaged food company and a faster-growing international snacks, candy and coffee business. Can you take us through the major issues you faced as a communicator going through what is quite a change for the company? What were the priorities at the top of your team's agenda?

The top priority was our internal audiences. If people, internally did not understand why we did something and buy into it, then we would have been on a losing wicket.

Fast behind them were the investment community. Irene Rosenfeld, the Chairman and CEO of Mondelez International, announced back in August 2011 that we were going to spin off part of the business and by late August, early September there were already a few media articles, even here in Europe, about how other large food and drink organisations should be thinking about doing the same thing! The spin-off was predicated on adding value for the investment community and there was a transparent logic for why we were splitting the company. That battle, for want of a better word, was fought and won quickly

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and that helped set the tone of our communications with our other audiences.

The challenge then of course really became *how*. The challenge for those of us who knew early on that we were going to be part of Mondelez, and that the Mondelez rationale was growth, was to ensure that we went into the split growing as a company. Whilst energy was going into how we split the company, what we were going to look like and devising a strategy, we had to keep the business growing and successful.

We report quarterly like many companies and part of our story in Europe has been successive quarters of growth, so 10 successive quarters of growth needs to become 11, 12, 13. For those of us on the leadership team that has been a major task. We have had to do it in such a way as to push for results each quarter and leave enough in the tank for the next one.

In terms of talking about that, we give equal weighting to being a company that drives top tier financial performance but also is a great place to work. The message from the top is that it is not just *what* we do but *how* we do it that matters.

Was part of your role to create a narrative around the transition?

Yes very much so. One of the things that made it easier for us in the European part of the business was that we were already focused on snacking and have had our ambition to be Europe's favourite snacking company for some time. Previously some of the company had been focused on snacking and other parts on the central grocery aisle. Now everybody at Mondelez focuses on snacking.

In addition, work had gone into our company values: who we were as Kraft and what behaviours we were really trying to model. The decision was taken early on not to throw the baby out with the bath water. The values we had as Kraft were still the right values for Mondelez. We just needed to get better at how we lived those values. So, some of the uncertainty was taken away early on.

“OUR CUSTOMERS ALSO WANTED TO UNDERSTAND WHAT OUR GROWTH STRATEGY MEANT FOR THEM”

How did the leadership team arrive at the decision to keep so much of the existing values and company focus?

There was a great deal of collaborative work. Kraft, now Mondelez, is good at collaboration. There was a leadership community of about 40 members of senior staff representing all parts of the world. They decided on the process the company should go through, including reaching out to understand the company mood.

One of my roles as a communicator was to make sure there was enough buzz around the company to sustain this process. Otherwise, the workload and the pressure on people to deliver in multiple directions would be too intense. If people had not felt it was a journey worth going through we would have pushed the organisation over.

So you focused on internal rather than external communications?

We did both. In 2011, we undertook some reputation research with Ipsos in Europe, which proved to be fantastically timely. It gave us the confidence of understanding - rather than guessing - what the external world thought about the company. Simplifying, we were aware that not many people really knew who Kraft was but those who did know us liked us. There were key audiences who we wanted to make sure understood the transition. Nevertheless, we knew that we did not have to worry about the consumers so much because they know us and love us through our product brands and those brands were not changing - *Milka* chocolate yesterday is still *Milka* today.

Were you then targeting your communications to specific audience categories who were not the product consumers then?

Yes. A good sixty percent to seventy percent of our time, crudely speaking, was spent on internal communications. The other thirty percent to forty percent of our attention was focused on external audiences such as the business media - the *Financial Times*, the *Wall Street Journal*, *Le Figaro* - read by key audiences including our customers such as the big supermarkets. They wanted to understand what our portfolio would be, whether business would be disrupted and whether they could rely on us to deliver the goods. Our customers also wanted to understand what our growth strategy meant for them.

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It was also important to pay attention to the public affairs audiences such as local government where we have big offices. In many areas of Europe, the company is really part of the fabric of the society and local communities.

How did you arrive at the new identity for Mondelēz and indeed the name?

It was a relatively quick process. The challenge as an international organisation, if you want to trademark and protect your identity in 100 plus countries, is trying to find one word that works everywhere – nigh on impossible. Generally, you end up having to get pretty creative. ‘Monde’ comes from the Latin word for world and ‘delēz’ is a fanciful expression of delicious. It loosely translates as *delicious world*.

Who came up with it?

We asked the company. We had ideas coming in from all over the world, which was great. The idea for Mondelēz came from a couple of employees, one based in Chicago and one based here in Europe. They were both hitting on a similar idea. Then of course, we gave the idea to a branding agency to consider what the new brand might look and feel like. Nevertheless, the initial idea very much came out of the organisation itself.

Besides the name, what has changed?

There has been huge change. Irene Rosenfeld talked repeatedly about how we created a \$36 billion start-up. The combination of a new company with a new name has given us the opportunity to stand back and reflect. We want to be more nimble. With around forty percent of revenues coming from developing markets and seventy-five percent of our portfolio in the growing snack category – and the interplay between the two, since snack consumption rises with GDP – Mondelēz is now positioned as a high-margin, high-growth company.

We will do it by taking our brands in the biscuit, chocolate, coffee and gum-and-candy categories and scaling them in developed markets like Europe, quickly growing them in the developing BRIC markets and beginning to consider the next wave of markets - the Middle East, Africa, etc.

Growth companies do not grow by being slow and so speed, without haste, is a very different way of working. You might

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look superficially and see we have some hundred-year old brands such as *Cadbury* and ask if that means Mondelez is a conservative company. Absolutely not. A huge amount of our sales and our growth comes from innovation, certainly here in Europe. Look at *Belvita Biscuits* and *Tassimo* to see how they have revolutionised their categories.

What does that mean for the way you communicate as an organisation and think about innovation?

In Europe, we use a category model. For example, in our European chocolate categories, clearly the consumers and customers are country specific, and love our brands in that country. To reflect that we have the country configuration but it has to work and connect smoothly with the overarching category structure.

For instance, *Milka* and *Cadbury* are huge brands but they are not in every market. In the Nordic countries, the biggest chocolate brands are *Freia* and *Marabou*. Whatever exciting innovations take place through *Milka* and *Cadbury*, we have to think about how we leverage them for *Freia* and *Marabou*. We have different brands that people love but we have to leverage ideas and innovations across categories to get the scale and power of being a large organisation.

My role and that of my team is to help people to feel that wherever they sit in the organisation, they can be passionate about their local role, but also know how to work across the organisation. Information and ideas are there to be shared. We reward people not only based on how well they have managed to fulfil their role, but also how much they have helped other parts of the business to do well. For example, a French employee will benefit if France does well, but also if Germany is successful.

So do you see your function, corporate affairs, partly as an agent for change?

Absolutely. Many organisations have the debate about whether internal communications should be within corporate affairs or HR. We work in partnership with HR as they define the employee value proposition and the idea of what it means to work here at Mondelez.

**“ULTIMATELY WHAT HELPS
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What is the difference between that previous transition phase and this business-running phase from a corporate affairs or communications perspective?

The tougher conversations need to take place now. We cannot keep asking our employees to do more and more because they are already working at full capacity. We have to find ways of taking unnecessary complexity out so they have more time to do the things that are needed to grow the business. We do not necessarily want to grow the size of the business in terms of work force. We want to grow with what we have.

Is part of your role to make sure the company’s leaders are visible?

The leadership team are ready and willing to step up to the plate. They look to us to decide how and where to be visible and to ensure consistent messaging.

In your view, what are the characteristics of an effective communications function?

First, you need a senior business leader who gets it - a President, a Chief Executive, a Chairman. It can be hard, although not impossible, to champion effective company engagement, without senior support. You only need to look around at various organisations and see that ultimately what helps a company’s reputation both internally and externally is the sense that there is visible leadership..

Corporate affairs functions need to see themselves as business partners. Communications is a means to an end – we need always to be thinking about the business goals and not just the communications goal. If you are simply reactive, tactical and wait for the business to tell you what it needs to do, corporate affairs is not going to be as effective. You have to start with your objective – what you want to achieve as a business – and then move to your approach to achieving it through a strategy. If you have a clear strategy for the brand and what you want to communicate about the organisation and its people, the business will have the courage to stay on course no matter how choppy the waters. The best strategies are consistent but have the flexibility to adapt to circumstances.

In addition, those in corporate affairs need to have a passion for the industry they are in. They need to be able to sit in the

“BEING AN EXPERT IN COMMUNICATIONS AND CORPORATE AFFAIRS ON ITS OWN IS NOT ENOUGH”

boardroom and have conversation about the business, be that sales or the business’s latest new product. If your counterparts in other divisions do not believe that you understand the business, why should they trust you to tell them a better way of doing something or shaping it? Being an expert in communications and corporate affairs on its own is not enough.

Apart from the Chief Executive, most people in a leadership team have very specific roles – finance, marketing, engineering. Corporate affairs can help the leadership team by being one of the few departments that looks across the business and thinks laterally. We are the ones who keep an eye above the horizon.

How do you justify the worth of what you and your team achieve? Finding measures other than subjective ones can sometimes seem tricky for those in communications and corporate affairs in a way that is not the case for other disciplines. Do you look at the business numbers by way of proof of effectiveness in the same way that the sales team might?

The business model works against us. In the UK for example, the average tenure of a FTSE Chief Executive is about three to five years. The minimum time it takes to make real head way with influencing a company’s reputation is about the same amount of time. For other parts of the business, the numbers react so much quicker; changes in sales numbers can be anything from daily through to annually. Therefore, looking at the numbers and allowing them to speak for what we do requires a much longer time and you do not always get that time.

How do you justify your return on investment?

There are things you can do and it is simple stuff. The starting point is knowing as a communications function what your goals are and what *good* looks like from the point of view of the business. Being clear about that at the beginning of the year, checking in the middle of the year and reviewing at the end of the year is essential. If you do not have that conversation then yes, how do you know if you are delivering or not?

So you frame it. Can you give an example of that in practice?

Mondelēz is an unknown entity. Whilst everybody had heard of Kraft Foods, they did not necessarily know who we were. We are starting with quite a blank sheet of paper here. We

“THE EXTENT TO WHICH PUBLIC AFFAIRS CAN MAKE A SUCCESSFUL IMPACT SHOULD NOT BE UNDERESTIMATED”

recommended that we reach out to the audiences that we know are important to us and say *what do you know about us* and *what do you think about us* and plug the gaps. However, give us time to get there and agree on the pace at which we need to do it and the focus. With 33 countries in Europe, our reputation does not need to be the same and known with the same intensity across all 33 countries.

Do you take the same approach when you consider the public affairs challenges?

If we look at the reputational challenges affecting our industry – for instance issues around sustainability, health and well-being, pricing agricultural commodities, the livelihoods of farmers - we are clear about what corporate affairs’ role is and where we can join the public policy conversation, build and maintain a strong reputation and find a common ground with stakeholders. You can define that.

Our industry is also in conversation with European governments about health and how people understand the role of food in being healthy. During that conversation, we must be in a position in which we can work with government on a way forward, either on changes being proposed or already on the statute book. We must be able to discuss the effect those changes may have on the industry and bring our expertise to the table to help government solve a problem it is grappling with. The extent to which public affairs can make a successful impact should not be underestimated, though it must be viewed from a long-term perspective. With very specific public affairs objectives sometimes we can define success by the amount of money we have saved the business. This amount is based on what it would have cost us had we not been able to affect a change in the policy environment. Most times, success is more complex than a number.

Looking ahead five to ten years, how do you see your role and the business changing? How will it evolve?

Our industry and our business will have to evolve with society. The gap now is between the way we live our lives and what we can afford. Europe is a good example of this. It has an ageing population, pension funds in many cases are in deficit and increased life spans, which are not necessarily translating into healthy lifestyles, are proving to be a challenge for the healthcare system. As medicines keep us alive for longer, how society will

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pay for pension and healthcare will become problematic.

As you look at the rising bills from those issues, is the solution individuals paying through more individual tax, governments picking up the tab by diverting resources from somewhere else, or is it companies that have to contribute more to fill the gap? The answer is probably going to be all three. The role of business is changing. Businesses can continue to be successful but individuals and government need to feel that they are connected with society and playing their part. In the future, this is only going to be more important. Our role is to ensure that society understands what is a fair ask of business and what is not.

Do you think that this will require more resources being given to the corporate affairs function?

My experience of 25 years is the only time businesses suddenly open the chequebook and say, *spend what you need*, is in a crisis, and good corporate affairs teams try to make sure that that crisis never happens. I think that is the wrong starting point for us.

If you want to climb the corporate ladder in any field, as society becomes more open, increasingly your ability as a communicator is going to be a fundamental part of your role. I think if anything is going to change, that is probably a great place for it to be changing. The corporate affairs team should not be the only great communicators, it's part of our job to help others do it well too. I do not think businesses will say let's hire in lots more communicators who will do it on behalf of the business. Our business partners will look to us to help them connect to society and our multiple stakeholders in the most effective, professional way – bringing the outside world into the organisation and representing the organisation to the outside world.

One last question. A senior person in corporate affairs recently told me in the next 5 to 10 years, corporate affairs would be a fundamental part of the business strategy development process. What do you think?

To be honest I have heard this many times. I struggle with this idea when I think of highly technical industries - like IT, like the energy industry - to believe that they would want a corporate affairs person, who wasn't also an engineer or whatever, sitting in the middle of the business as it defines what it does. I am not sure it is the right rainbow to chase.

**“I THINK WE
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We are hung up on trying to be more important. I do not think that is where those in corporate affairs might be most useful and find fulfilling careers.

I think we should separate ‘what’ a business does and ‘how’ it does it. Both are important but I believe that the role of Corporate Affairs is key to the latter and that is where we should play strategically. Our contribution is to test the business’ strategy, think about how we talk about it, identify the flaws in the strategy and fine-tune it. We need to make strategy real and bring it to life for everyone touched by the business and make it meaningful to all employees. And for that, you do not necessarily need to be in the room right at the beginning.

That was extremely insightful. Thank you very much for your time.

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.

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.

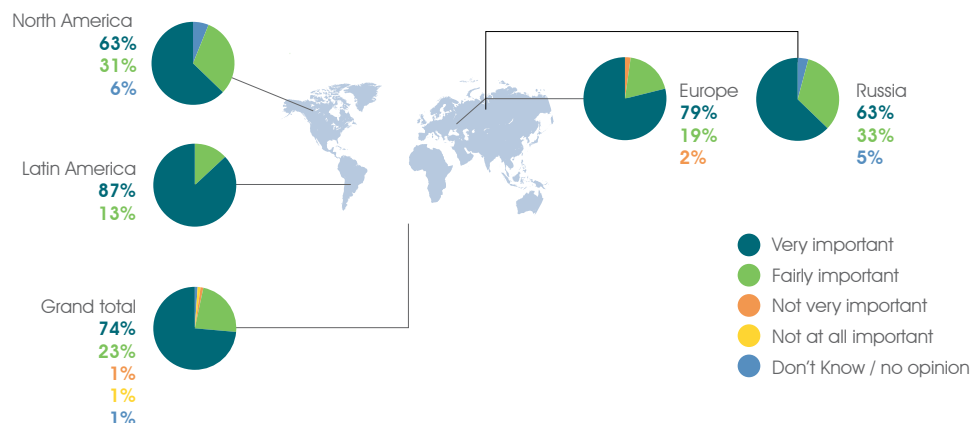
Previous waves of the Reputation Council have indicated that companies are fairly confident in their ability to communicate company values to internal audiences. However, there is far more uncertainty about how well these values are understood in the wider world. This may explain the continued emphasis 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?'"

**The Ipsos Reputation Council is made up of over 100 Communications Directors from some of the world's most respected brands*

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?



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.

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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.

CORPORATE RESPONSIBILITY MESSAGING ONLY BECOMES CREDIBLE WHEN IT TALLIES WITH A COMPANY'S CORPORATE BEHAVIOUR

“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’,

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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

ADOPTING A MORE SUSTAINABLE APPROACH TO DOING BUSINESS CAN BE UNDERSTOOD AS A CASE OF SOUND BUSINESS SENSE

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]."

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

SOCIAL MEDIA HAS MADE IT EASIER THAN EVER FOR CONSUMERS TO ACCESS INFORMATION ABOUT COMPANIES AND SHARE THEIR EXPERIENCES OF PRODUCTS AND SERVICES

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.”

The upside of social media and increasing inter-connectedness

THE SAME TOOLS WHICH
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**ENGAGE WITH
THE PUBLIC
IN A MORE
PERSONAL
WAY THAN
EVER BEFORE**

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.

MANY SUCCESSFUL
BUSINESSES ARE BY
THEIR NATURE
**FLEXIBLE,
RESPONSIVE
AND
INNOVATIVE**

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.

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.

HOW DEUTSCHE BAHN TURNED ITS REPUTATION ON ITS HEAD

ALL COMPANIES WANT TO BE LOVED BUT FAILING THAT THE DESIRE TO BE TRUSTED COMES IN A STRONG SECOND - TRUST TENDS TO BE AT THE HEART OF ALL GOOD RELATIONSHIPS AND BRINGS WITH IT A SENSE OF PERMANENCE AND STABILITY. FROM A COMMERCIAL POINT OF VIEW, IT CAN TRANSLATE INTO BENEFITS THAT IMPACT THE BOTTOM LINE – FROM INCREASING CUSTOMER LOYALTY TO PEOPLE GIVING YOU THE BENEFIT OF THE DOUBT WHEN TIMES GET TOUGH.

Despite how important trust is, a recent Ipsos Global @dvisor study shows people find it difficult to trust companies. A majority of consumers don't trust CEOs to tell the truth and want businesses to be more regulated.

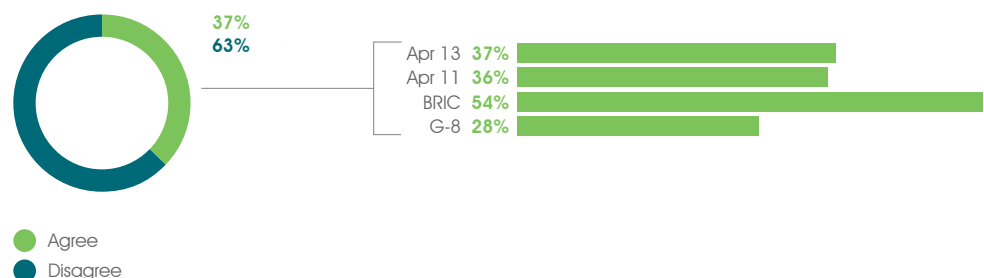
The problem is that trust can only emerge if people have a clear sense of what companies are and what they stand for. Without this kind of saliency, they will be perceptually lumped in with everyone else.

When you think of sectors such as banking, energy and transport you can intuitively grasp the size of the challenge some companies face in differentiating themselves. In most cases the popular sentiment is 'they're all the same' - or, worse, 'a plague on all their houses'. Although this kind of corporate homogeneity may be at its most acute in those sectors, it's by no means restricted to them - companies in many sectors struggle to create an individual and unique connection with the consumer.

So the sixty four thousand dollar question is this: given the millions that companies spend on communications, how can they cut through the generalisations about their sector and communicate in a way people can genuinely relate and respond to?

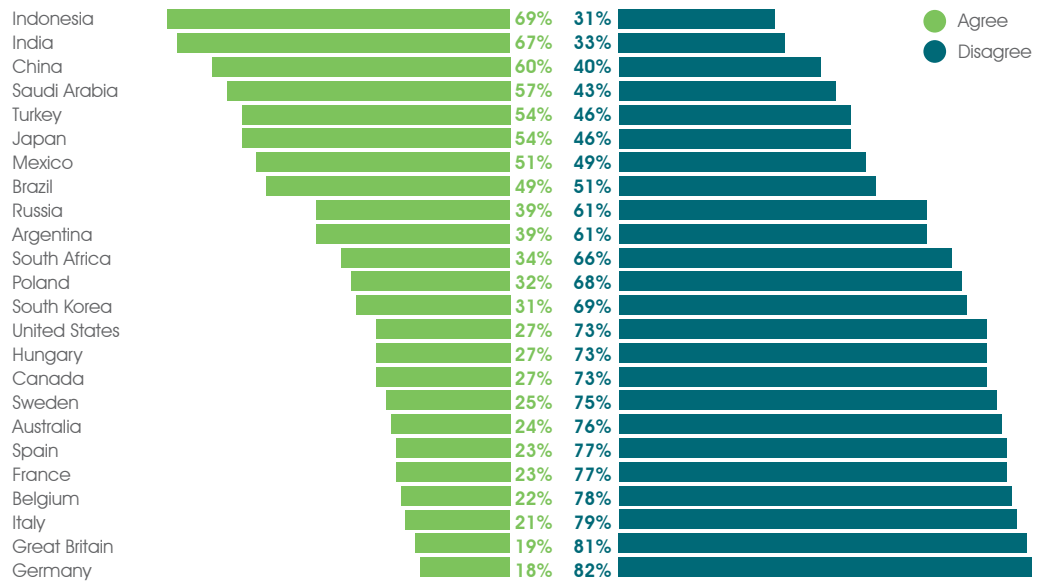
Part of the answer lies in an anecdote I heard at the European Communications Summit in Brussels last month. It was from

ONLY A MINORITY TRUST CEOs TO TELL THE TRUTH: CEOs OF LARGE COMPANIES CAN GENERALLY BE TRUSTED TO TELL THE TRUTH WHEN THEY MAKE STATEMENTS ABOUT THEIR COMPANY OR INDUSTRY



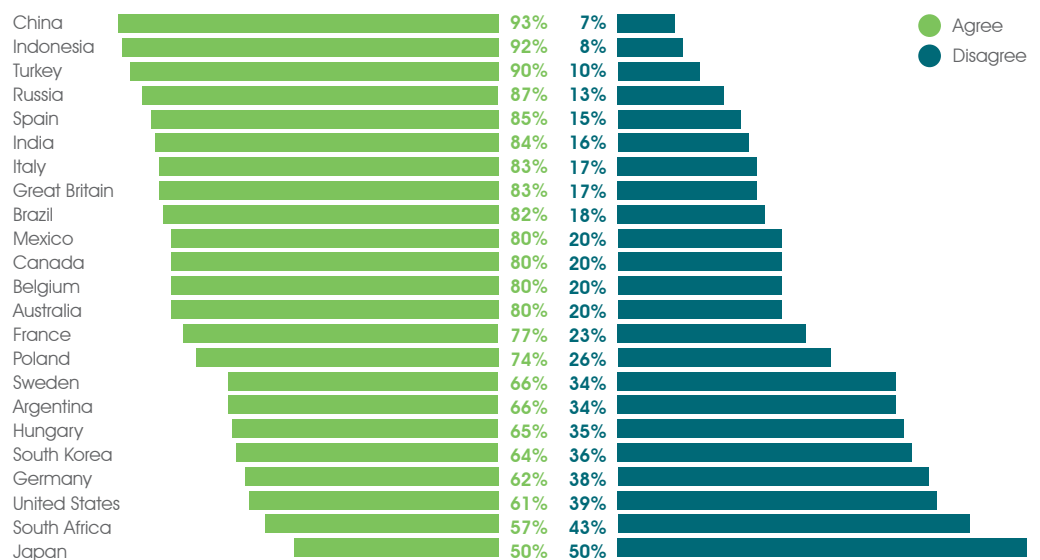
Base: 18,150 online citizens, c.500-1,000 per county April 2013. Base: 18,746 online citizens, c.500-1,000 per county August 2011
In most cases Global@dvisor is weighted to the General Population. However in China and India it is weighted to the Internet Population.

TRUST IN CEOs TO TELL THE TRUTH: CEOs OF LARGE COMPANIES CAN GENERALLY BE TRUSTED TO TELL THE TRUTH WHEN THEY MAKE STATEMENTS ABOUT THEIR COMPANY OR INDUSTRY



Base: 18,150 online citizens, c.500-1,000 per country April 2013

AGGRESSIVE REGULATION OF BUSINESS: THE GOVERNMENT OF [COUNTRY] SHOULD BE MORE AGGRESSIVE IN REGULATING THE ACTIVITIES OF NATIONAL AND MULTINATIONAL CORPORATIONS



Base: 18,150 online citizens, c.500-1,000 per country April 2013

IN THIS CASE DB 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**

Deutsche Bahn on the way they communicated with one of their customers through social media.

The gist of the story was that a frustrated passenger waiting for the umpteenth time for a late train sent a message to DB where she assumed the role of a long suffering girlfriend who had just about had enough of her unreliable boyfriend. The message ended with news that she had found a new man in her life called Opel and was breaking up with DB.

The way the passenger used humour to make a serious point impressed me - but what impressed me even more was DB's response. Instead of falling into a well-worn mantra about investment in the network, importance of customers etc. they decided within minutes to respond in a similar vein. They adopted the persona of the jilted boyfriend who understands his girlfriend's frustrations and realises she would be a great catch for someone else. However given an opportunity he would try his best to mend his ways and woo her back.

The exchange was picked up by the German media and DB received a lot of positive press coverage – quite an achievement given the speaker indicated DB's reputation in Germany is comparable to that of train companies in the UK.

On one level this is simply an amusing story, but I think in many ways it also gets to the heart of how companies should behave if they want to truly connect with people and build credibility with the wider world. In this case DB 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 it 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.

In many ways the DB story echoes the culture fostered in

THE AVERAGE CUSTOMER CAN SPOT THE REAL THING AND DETECT WHEN THEY ARE BEING TREATED AS AN INDIVIDUAL, BY AN INDIVIDUAL

Nordstrom, a successful US chain of department stores, which leads the way in allowing employees to cut through process and protocol. Until relatively recently its entire training manual consisted of a single piece of card containing 75 words. There was a short welcome and expression of confidence in the abilities of the employee and then the following line: 'Nordstrom rules: Rule #1: Use best judgement in all situations. There will be no additional rules.' Although the manual has been subsequently expanded to accommodate mandatory legal considerations the essence of the company remains the same – above all other things, your judgement is what counts.

By allowing their employees to use their judgement, DB and Nordstrom add some impetus to the rather over-used phrase that employees are a company's best ambassadors. This is because the average customer can spot the real thing and detect when they are being treated as an individual, by an individual. Communication between customer and employee therefore becomes an opportunity for a company to reinforce or dilute its distinctiveness and to build or erode trust.

At the end of the day reputation cannot be built by corporate advertising and PR alone. It needs to be constructed day-by-day by the behaviour of employees who, while they may be on board with the spirit of the corporate promise, also demonstrate that they are trusted to think and empathise as individuals in their own right.

THE PROOF OF THE PUDDING: BUILDING TRUST THROUGH EXCELLENT SERVICE

THESE DAYS WE'RE BOMBARDED WITH SO MUCH INFORMATION ABOUT COMPANIES, MUCH OF IT NEGATIVE, THAT IT IS SOMETIMES HARD TO KNOW WHO TO TRUST. BACK IN 2011 ALASTAIR CAMPBELL TOLD THE LEVESON ENQUIRY THAT THE NEGATIVITY ENGENDERED BY THE UK'S NEWSPAPERS HAS POISONED THE COUNTRY'S QUALITY OF LIFE. ARE WE THEREFORE, AS A RESULT OF OUR MEDIA, A NATION HARD WIRED TO BE CYNICAL?

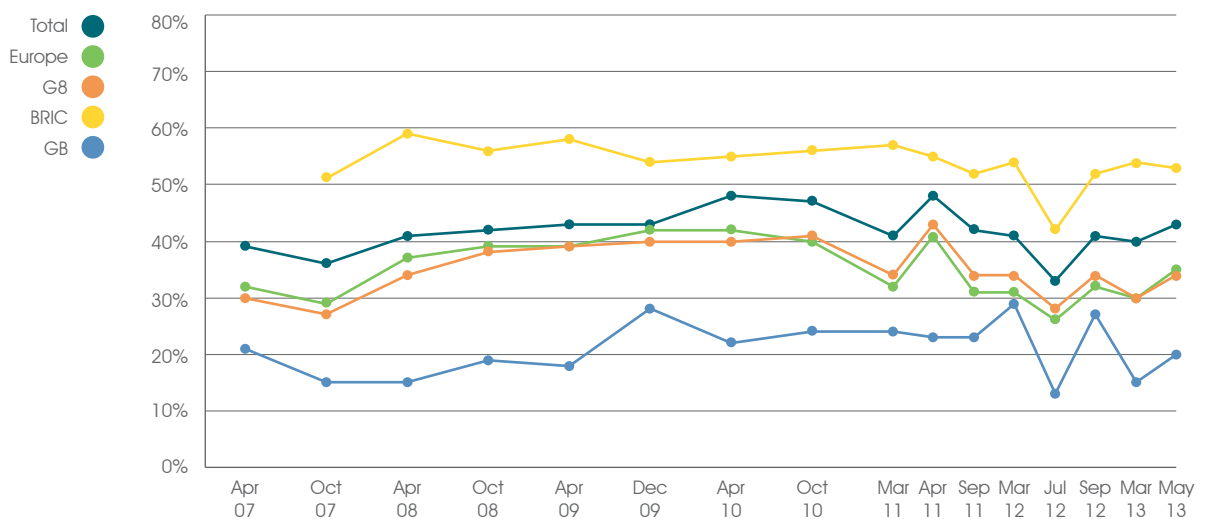
Our data* shows that compared to other countries, we don't seem to like industry much. We fall significantly below the global average and even below the rest of Europe on 'favourability' to most industries. For example, despite the fact we love to eat but struggle to find time to cook from scratch, we're not very positive about the consumer packaged food industry (amongst others).

Perhaps not surprisingly we also dislike banking, energy, credit card companies and telecoms much more than everyone else. And boy do we dislike insurance. In fact, only the Germans dislike insurance as much as we do (the global total unfavourable to insurance is 27%, compared 45% for GB and 47% for Germany).

However we're prepared to put some of our reservations aside when we think about retail, restaurants, cars and confectionery for these sectors we're a little closer to the rest of Europe on favourability, but still clearly below the global average on how much we 'like' these industries.

**Ipsos MORI Global Advisor Study runs monthly, interviewing c.1,000 adults on-line panellists, aged 16-64 (18-64 in the US and Canada) across 25 core countries. Data is weighted.*

AGGRESSIVE REGULATION OF BUSINESS: THE GOVERNMENT OF [COUNTRY] SHOULD BE MORE AGGRESSIVE IN REGULATING THE ACTIVITIES OF NATIONAL AND MULTINATIONAL CORPORATIONS



Base: All respondents (18,513), May 2013

WE TRANSLATE
“INDUSTRY” INTO
“BIG
BUSINESSES
THAT ARE
TRYING TO
RIP ME OFF”

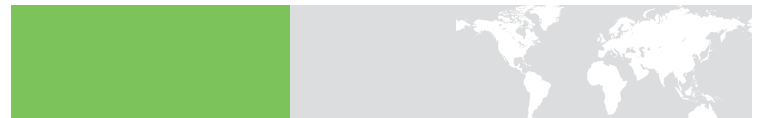
But why are we so critical of business? Isn't it industry and commerce that offers us the path to economic recovery, stimulating the economy, offering jobs, selling us the things we want to buy?

I think the first thing to bear in mind is that when we say we're unfavourable to “industry or sectors” we're not thinking about the handy shop keeper around the corner, our neighbour who owns a building business or even our own employer. More likely, we translate “industry” into “big businesses that are trying to rip me off.”

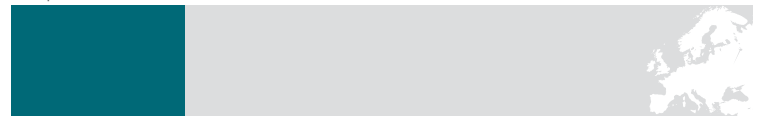
However, if we're negative about business, we're even more distrusting of the individuals that run big companies. Less than one in five of the British public say that they trust CEOs to tell the truth*.

ONLY ONE IN
THREE
OF THE ONLINE PUBLIC
ACROSS 24 MARKETS
WORLDWIDE AGREE: “CEOS
OF LARGE COMPANIES
CAN GENERALLY BE
TRUSTED
TO TELL THE
TRUTH
WHEN THEY MAKE
STATEMENTS ABOUT THEIR
COMPANY OR INDUSTRY”

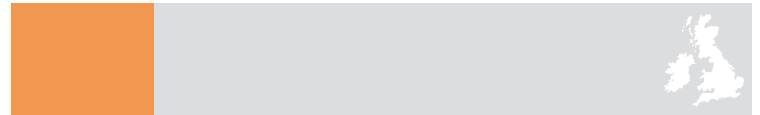
Global 37%



Europe 23%



GB 19%



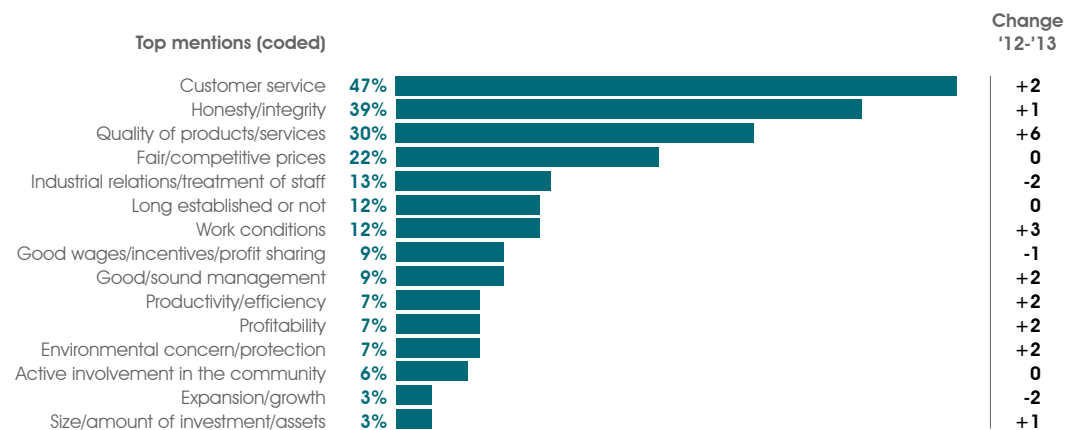
Base: 18,150 online citizens, c.500-1,000 per country August 2013

**OVER THREE
QUARTERS
AGREE,
“I DON’T THINK IT’S
ENOUGH FOR COMPANIES
TO SAY THAT THEY ARE
RESPONSIBLE, THEY NEED
TO PROVE IT TO ME”**

So what does this mean for companies trying to build, maintain and manage their reputations? The obvious answer is that they have a very tough job on their hands. For those long established home grown brands that we know and love, this is an easier task but it still requires a huge amount of work to continually reinforce our current perceptions.

The power of the media and “voice of the people” online these days is such that not only can a company’s reputation be seriously damaged by negative coverage in the traditional media, this is increasingly true of individuals in the online environment.

CRITERIA FOR JUDGING COMPANIES: Q WHAT DO YOU THINK ARE THE TWO OR THREE MOST IMPORTANT THINGS TO KNOW ABOUT A COMPANY IN ORDER TO JUDGE ITS REPUTATION? [UNPROMPTED]



Base: 995 GB adults 16+, 16-22 August 2013, asked face-to-face

ULTIMATELY IT'S ABOUT DELIVERING ON PROMISES GREAT PRODUCTS THAT DO EXACTLY WHAT THEY SAY THEY WILL ON THE TIN

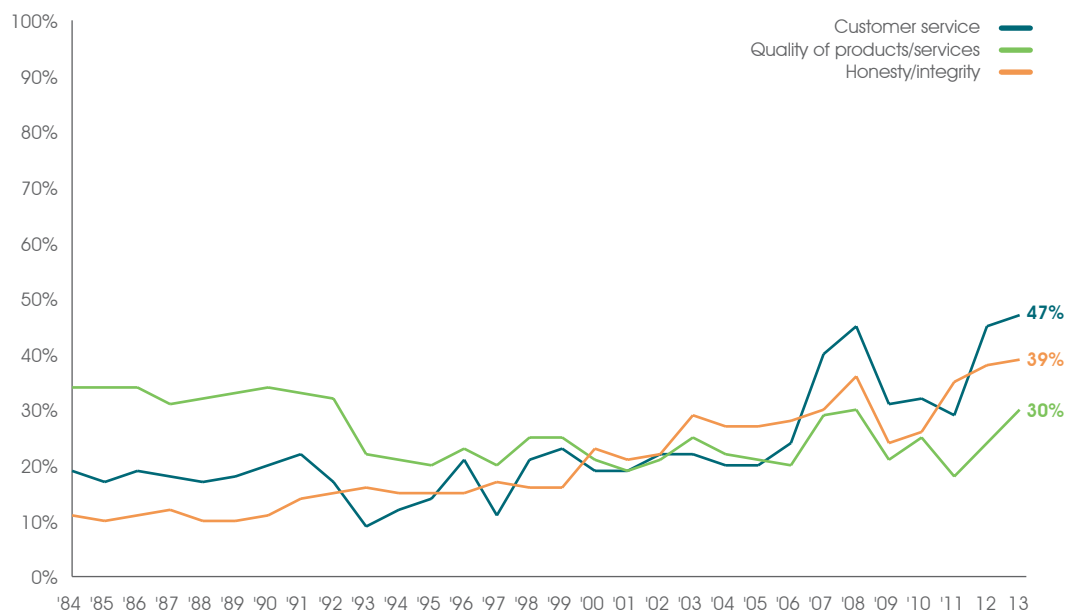
***Ipsos MORI's Sustainable Business Monitor runs annually, interviewing c.1,000 members of the GB general public aged 16+ from a nationally representative sample. Most questions are asked online, but a few key trend questions such as the one shown here are asked face-to-face via our Omnibus study. Data is weighted.*

After making a purchase recently I was invited to submit a review of my transaction. It hadn't gone well and I was pretty open and honest about my experience. The company then mailed me, offering me a cash sum "for my inconvenience" if I removed my review. Third party views are therefore pretty powerful; we're much more likely to take on board both positive and negative messages about a company if they appear to be from an independent source.

In the end, consumers are looking for tangible *proof* that a company is doing the right thing. Over three quarters agree, "I don't think it's enough for companies to say that they are responsible, they need to prove it to me."**

And the best way to do that? To start with - fantastic customer service that treats the customer like a valued individual and

CRITERIA FOR JUDGING COMPANIES – TRENDS: Q WHAT DO YOU THINK ARE THE TWO OR THREE MOST IMPORTANT THINGS TO KNOW ABOUT A COMPANY IN ORDER TO JUDGE ITS REPUTATION? [UNPROMPTED]



Base: c. 1,000 GB adults 16+ each year, asked face-to-face

SO IN A CLIMATE OF
CYNICAL CONSUMERS, A
HOSTILE MEDIA AND EASY
ACCESS TO THE SENTIMENT
OF INDIVIDUAL CONSUMERS,
**COMPANIES
HAVE TO
WORK
HARDER
THAN EVER
TO PROVE
THEIR WORTH**

demonstrating a high degree of honesty and integrity, especially when things go wrong. Ultimately it's about delivering on promises - great products that do exactly what they say they will on the tin.

The importance of customer service and honesty and integrity is clearly illustrated in our recent Sustainability survey. Both are spontaneously mentioned as key considerations when judging a company - more than at any other time since the study began in the 1980s. Just under *half* of consumers cite customer service as something they take into account when judging a company and over a third refer to honesty and transparency. Both factors have overtaken product quality which was the primary driver until the late 90s.

So in a climate of cynical consumers, a hostile media and easy access to the sentiment of individual consumers, companies have to work harder than ever to prove their worth. And where better to start than with their own customers?

IPSOS GLOBAL REPUTATION CENTRE: REPUTATION SNAPSHOT FOR THE PHARMACEUTICAL SECTOR

FOUR TIMES A YEAR, THE IPSOS GLOBAL REPUTATION CENTRE CONDUCTS RESEARCH ON THE ISSUES IMPACTING VARIOUS BUSINESS SECTORS AND THE REPUTATIONS OF COMPANIES IN THOSE SECTORS. IN THIS INSTALLMENT, WE LOOK AT COMPANIES IN THE PHARMACEUTICAL SECTOR.

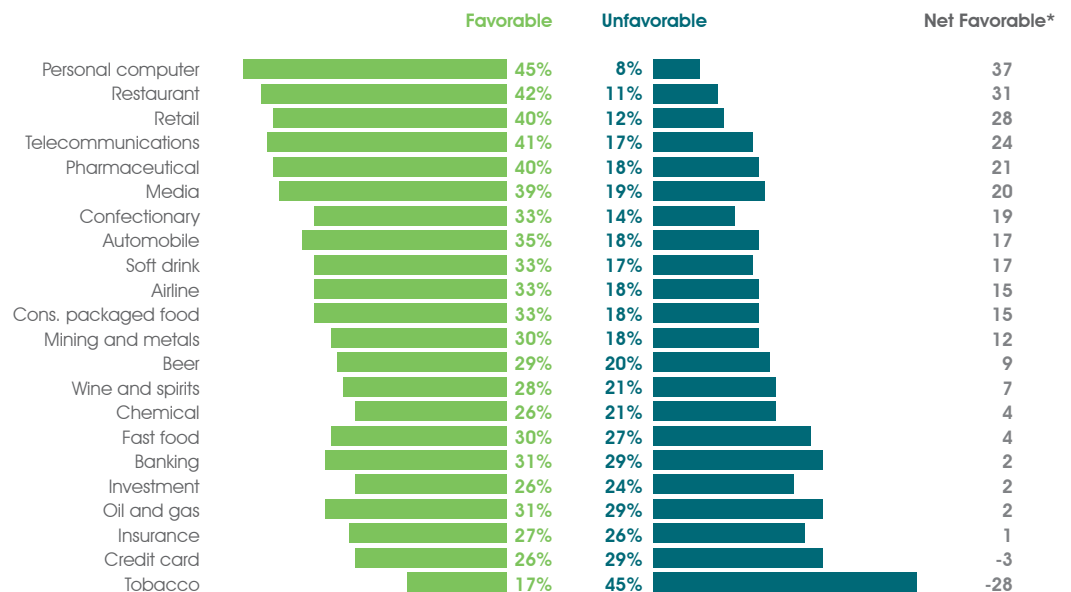
The key findings are the following:

- While favorable at a global level, the image of the pharmaceutical industry is weak, if not clearly negative in many key markets, including the U.S., China and Germany.
- Negative industry perceptions by consumers are often accompanied with the desire for more regulation, which is particularly strong in France, Russia and China.
- Attitudes toward leading companies do not always reflect attitudes toward the industry. In the U.S. and China, leading global pharmaceutical companies have succeeded in establishing an image that rises above that of the overall industry. However, this is not the case in many countries, especially in Sweden, France, Italy, and Korea.
- Leading pharmaceutical companies tend to be better perceived when it comes to the quality of their products and their industry leadership than on being good citizens.
- Globally, consumers are fairly unanimous in singling out what pharmaceutical companies can do to better demonstrate their corporate citizenship: develop innovative drugs to fight diseases, ensure the safety of drugs produced in other countries, and develop assistance programs that provide less expensive drugs to low-income families.

VIEW OF PHARMACEUTICAL INDUSTRY GENERALLY FAVORABLE AMONG GLOBAL CONSUMERS

On average, consumers across 24 countries are more likely to view of the pharmaceutical industry favorably (40%) than unfavorably (18%). Globally, the pharmaceutical sector is the fifth best-rated sector among 22 industries when it comes to consumer favorability.

ON AVERAGE, CONSUMERS ACROSS 24 COUNTRIES HAVE A GENERALLY FAVORABLE VIEW OF THE PHARMACEUTICAL INDUSTRY



*% favorable minus % unfavorable

Q. Please indicate your overall opinion of the following industries and sectors...

Base: All respondents (N=18,782)

Source: Global @visor – July 2012 – Average of 24 countries

IN GENERAL, FAVORABILITY TENDS TO BE LOWER IN DEVELOPED COUNTRIES THAN IT IS IN EMERGING COUNTRIES

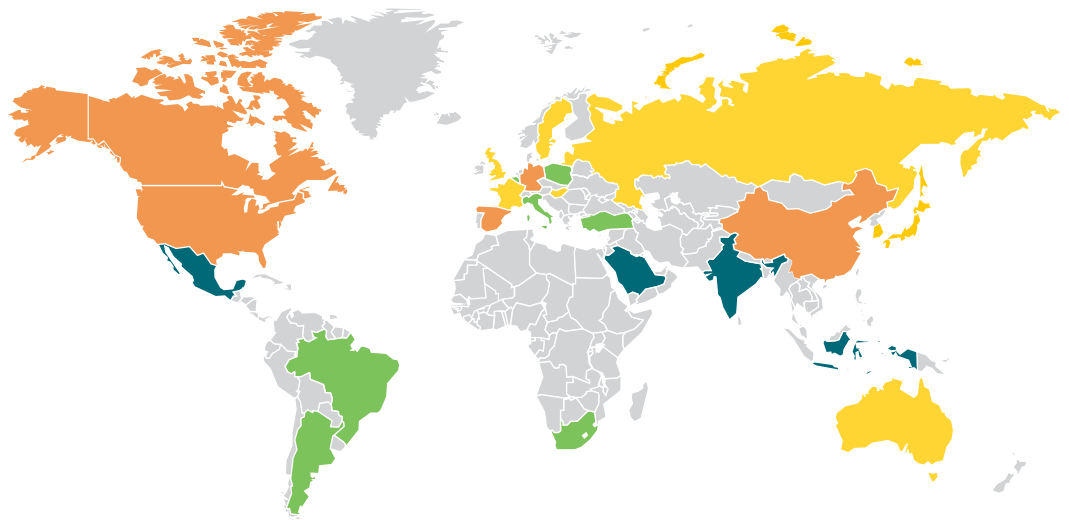
VIEWS OF THE PHARMACEUTICAL INDUSTRY DIFFER WIDELY ACROSS COUNTRIES

In several major markets, more consumers have an unfavorable opinion of the pharmaceutical sector than have a favorable opinion. Countries where the industry shows a “net negative” favorability score include the U.S. as well as Canada, China, Germany, and Spain. Furthermore, favorable views are only very slightly more prevalent than unfavorable views in Australia, France, Hungary, Japan, Russia, South Korea, and Sweden. In contrast, the industry is viewed more positively in Argentina, Belgium, Brazil, Italy, Poland, South Africa and far more so in India, Indonesia, Mexico, and Saudi Arabia.

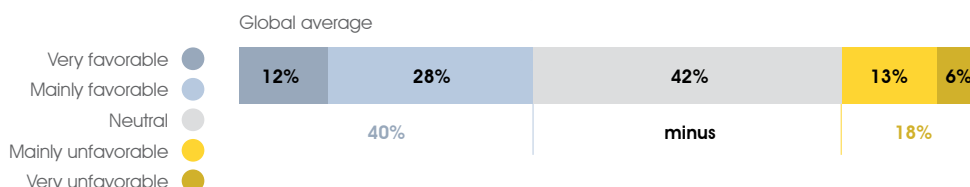
In general, favorability tends to be lower in developed countries than it is in emerging countries, but the presence of China in the “net negative” group suggests that attitudes are not just a reflection of the country’s level of economic development.

HOWEVER, FAVORABILITY TOWARD THE PHARMACEUTICAL INDUSTRY VARIES WIDELY ACROSS COUNTRIES: THE INDUSTRY HAS AN IMAGE PROBLEM IN SOME OF THE WORLD’S LARGEST MARKETS, ESPECIALLY THE U.S., CHINA, GERMANY, CANADA, AND SPAIN; BUT IS WELL-REGARDED IN THE DEVELOPING WORLD.

- Net negative (orange)
- Favorable, but weak (net 0-19) (yellow)
- Favorable (net 20-39) (green)
- Very favorable (net 40+) (dark green)



Q. Please indicate your overall opinion of the following industries and sectors... (Pharmaceutical industry)
 Base: All respondents (N=approx 500 or 1,000 depending on country)
 Source: Global @dvisor – July 2012 – Average of 24 countries



THERE ARE MARKETS WHERE INDIVIDUAL PHARMACEUTICAL COMPANIES TEND TO BE BETTER RATED THAN IS THE INDUSTRY AS A WHOLE

OVERALL VIEWS OF PHARMACEUTICAL INDUSTRY MAY NOT TRANSLATE TO INDIVIDUAL COMPANIES

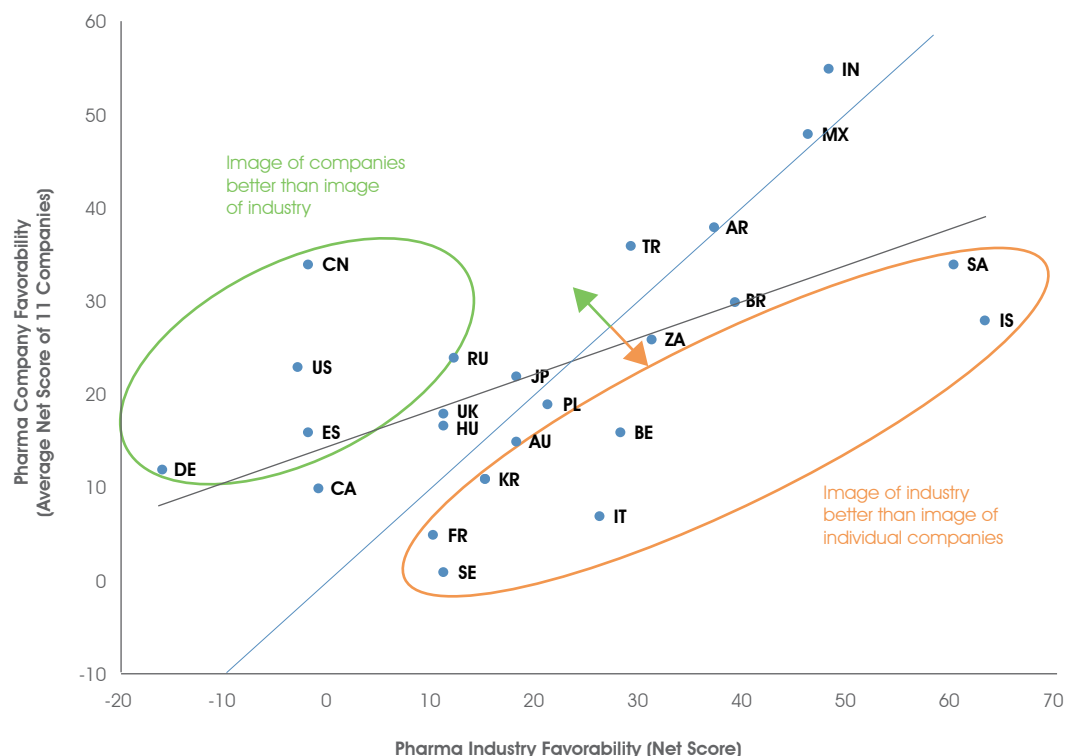
Overall opinions of the industry do not necessarily foretell opinions of individual pharmaceutical companies. When comparing average favorability scores for 11 global pharmaceutical companies with favorability scores for the industry “overall”, three groups of countries emerge:

- Those where the image of leading pharmaceutical companies mirrors the image of the industry
- Those where individual companies tend to have a better image than does the industry overall
- Those where the industry overall has a better image than do individual companies

FAVORABILITY TOWARD THE PHARMA INDUSTRY AS A WHOLE ARE NOT ALWAYS INDICATIVE OF FAVORABILITY TOWARD PHARMA COMPANIES

Q. Now, taking into account all of the things which you think are important, how favorable or unfavorable is your overall opinion or impression of each company or organization? (Average net score -- top 2 box [% very/somewhat favorable] minus bottom 2 box [% very/somewhat unfavorable] -- for 11 leading global pharmaceutical companies)

Q. Please indicate your overall opinion of the following industries and sectors (Average net score -- top 2 box [% above average] minus bottom 2 box [% below average] -- for pharmaceutical industry)



ATTITUDES TOWARDS THE REGULATION OF THE PHARMACEUTICAL INDUSTRY ARE DIVERSE AND ALSO VARY WIDELY ACROSS MARKETS

At a global level, there is a great deal of correlation between favorability toward the pharmaceutical industry and that of the major players in the sector. This pattern is seen in many different countries ranging from some places where ratings of the industry and of leading companies are equally low (e.g., Canada) to others where they are equally high (e.g., Mexico and India).

However, there are markets where individual pharmaceutical companies tend to be better rated than is the industry as a whole. This is notably the case in China and the U.S. and, to a lesser extent, in Germany, Spain and Russia. In these countries, leading pharmaceutical companies enjoy a reputation premium over the industry overall and share a stronger position to “rise above the fray” when they need get their message across or defend their interests.

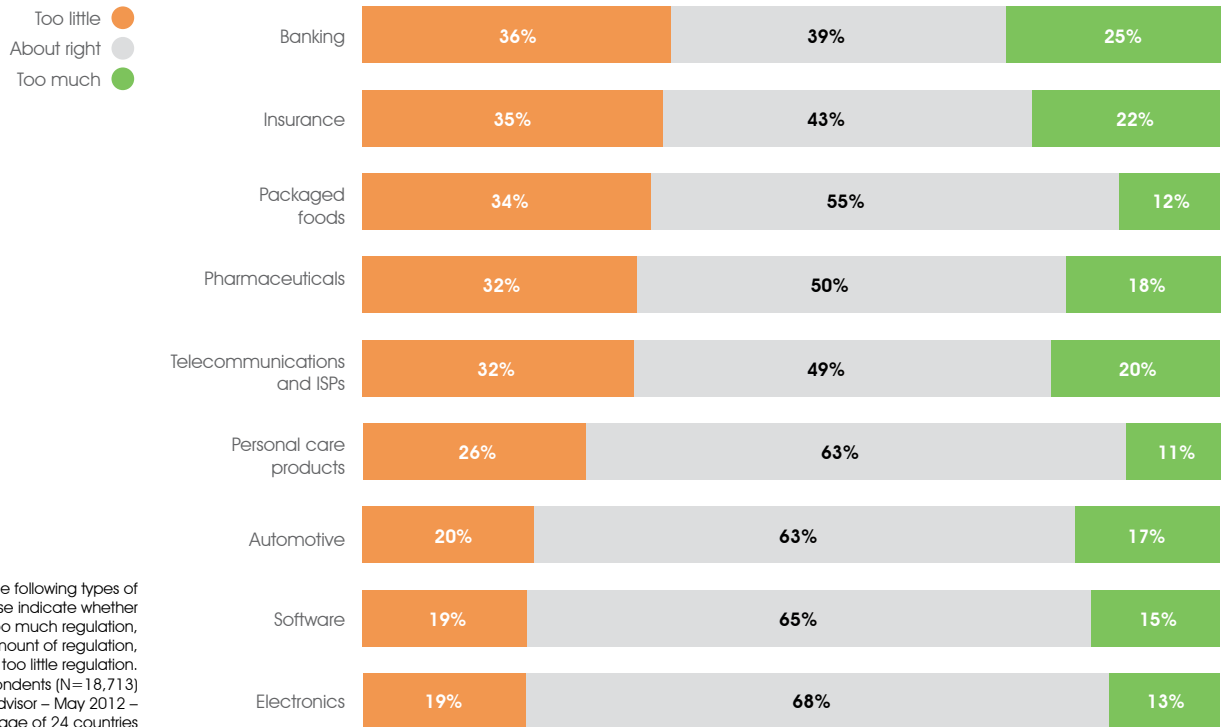
In contrast, there are other markets where consumers have a more favorable perception of the pharmaceutical sector as a whole than they do of individual companies. Most notably, the list includes Sweden, France, Italy, Belgium, and South Korea. One could add to it Indonesia and Saudi Arabia where industry favorability is at its highest, but opinions towards companies are not nearly as positive.

DIVERSE ATTITUDES TOWARDS THE REGULATION OF PHARMACEUTICAL INDUSTRY

Attitudes towards the regulation of the pharmaceutical industry are diverse and also vary widely across markets. Across the 24 countries, exactly one half of all consumers surveyed consider that the amount of regulation of the pharmaceutical sector is about right. However, nearly one third (32%) say there is too little of it. In contrast, only 18% say there is too much of it. Overall, pro-regulation sentiment toward the pharmaceutical industry is only slightly less prevalent than it is for the banking, insurance, consumer packaged goods, and food and beverage sectors.

Perceptions about the need to further regulate pharmaceutical companies differ widely from one country to the next.

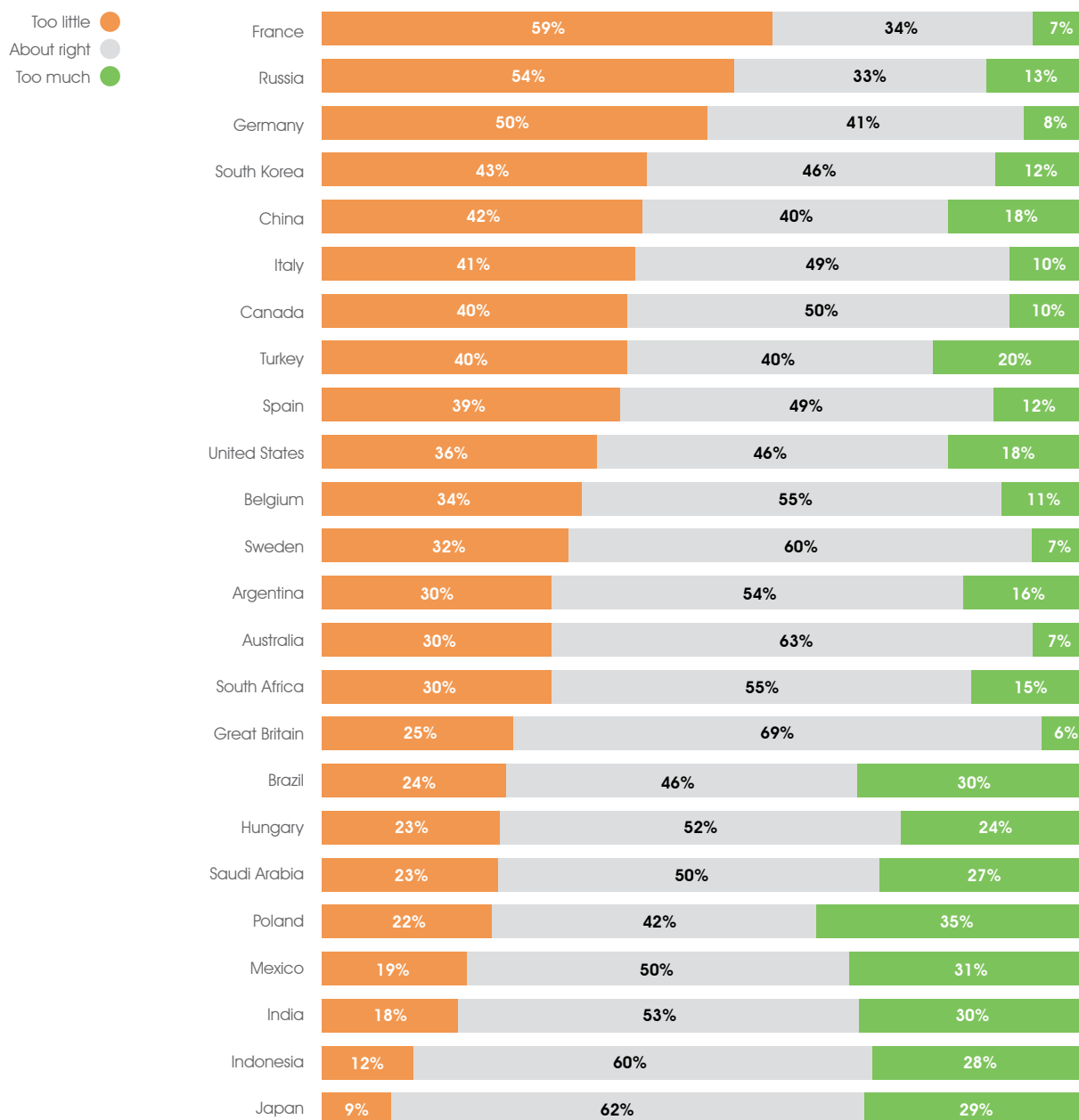
ONE THIRD OF GLOBAL CONSUMERS THINK THE PHARMA INDUSTRY IS UNDERREGULATED



Consumers saying there is too little regulation of the pharmaceutical industry represent a majority in France, Russia, and Germany and a plurality in China and Turkey. They also outnumber those who say the industry is overregulated by wide margins in Italy, South Korea, Canada, Spain, Sweden, Belgium and Australia. In contrast, fewer than 20% of consumers in Japan, India, Indonesia and Mexico are of the opinion that the pharmaceutical industry is not sufficiently regulated. Interestingly, the U.S. is the most “average” country when it comes to the prevalence of all views.

Also of note, more consumers in France, Russia, and China say that there is too little regulation of the pharmaceutical industry than say the same of any of the eight other major sectors. These attitudes likely reflect public outrage over highly publicized scandals involving the sale of unsafe drugs (e.g., Mediator in France) or tainted drugs (e.g., chromium-tainted gel capsules made from industrial waste in China).

ONE THIRD OF GLOBAL CONSUMERS THINK THE PHARMA INDUSTRY IS UNDERREGULATED



Q. For each of the following types of companies please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation.
Base: All respondents (N=approx. 500 or 1,000 depending on the country)
Source: Global @dvisor – May 2012 – Average of 24 countries

THE APPETITE FOR MORE GOVERNMENT OVERSIGHT OF PHARMACEUTICAL COMPANIES IS HIGHEST WHERE THE INDUSTRY IS LEAST POPULAR

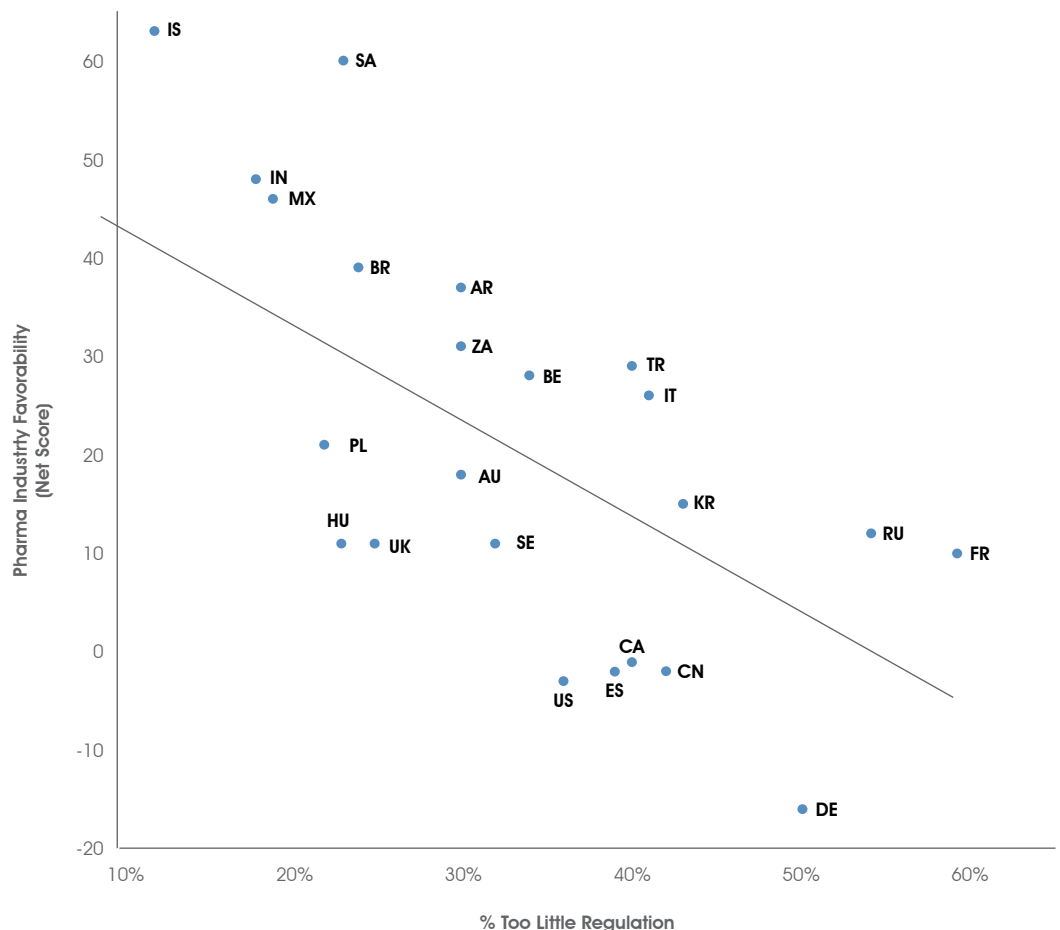
THE LINK BETWEEN ATTITUDES TOWARDS REGULATION OF PHARMACEUTICAL COMPANIES AND LEVEL OF FAVORABILITY TOWARD INDUSTRY

Consumer attitudes towards the regulation of pharmaceutical companies are intimately related with their level of favorability toward the pharmaceutical industry. More precisely, there is an inverse relationship between the average “net favorability score” of the sector and the percentage of supporters of increased regulation of pharmaceutical companies. A graphic representation where countries are plotted on these two variables shows that the appetite for more government oversight of pharmaceutical companies is highest where the industry is

FAVORABILITY TOWARD THE PHARMA INDUSTRY AS A WHOLE ARE NOT ALWAYS INDICATIVE OF FAVORABILITY TOWARD PHARMA COMPANIES

Q. Please indicate your overall opinion of the following industries and sectors (Average net score -- top 2 box [% above average] minus bottom 2 box [% below average] -- for pharmaceutical industry)

Q. For each of the following types of companies please indicate whether you think there is too much regulation, about the right amount of regulation, or too little regulation. (Pharmaceutical industry)



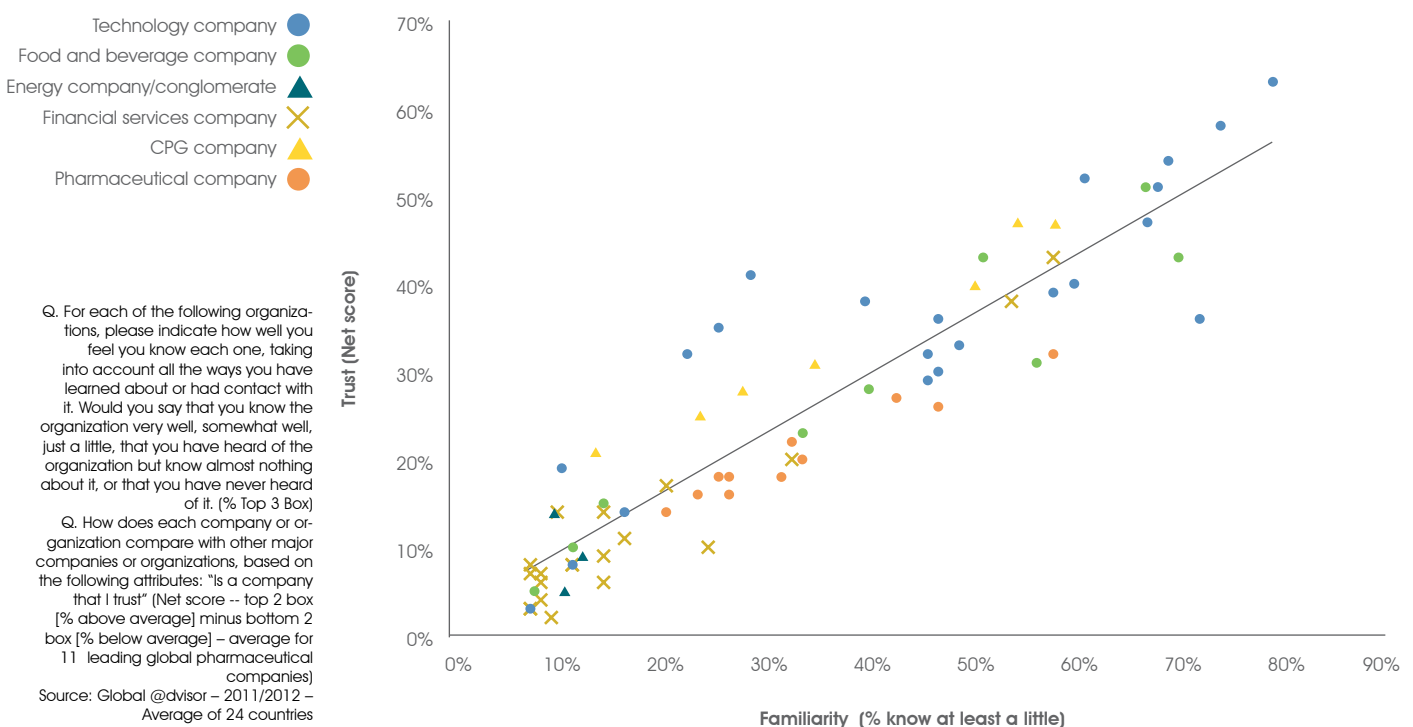
FAVORABILITY AND ITS COROLLARY, TRUST, ARE LARGELY A FUNCTION OF FAMILIARITY

least popular – in continental Western Europe, Russia, North America, South Korea, and China.

To curtail the risk of adverse regulation, pharmaceutical companies as well as industry associations would be well advised to win the hearts and minds of citizens. The question is, what's the best way to gain popularity? The answer is first and foremost to be better known by the public.

Indeed, in companies in the pharmaceutical business, as is seen in nearly all sectors, favorability and its corollary, trust, are largely a function of familiarity. Looking at 11 leading global pharmaceutical across 24 countries, the relationship between familiarity and trust is almost purely linear. Among companies in the pharmaceutical sector as among companies in a wide range of sectors, the average level of familiarity with these companies and their net trust score shows very high degrees of correlation. On the following graph, one can see that pharmaceutical

IN THE PHARMA SECTORS, JUST AS IN OTHER INDUSTRIES, FAMILIARITY GENERALLY LEADS TO TRUST



RANKING IN THIRD PLACE IN EACH REGION, IS PROVIDING ASSISTANCE PROGRAMS THAT PROVIDE LESS EXPENSIVE DRUGS TO LOW-INCOME FAMILIES

companies (red dots) are plotted very close to the trend line, which applies to 70 companies across six sectors.

This means that the more familiar one is with a pharmaceutical company, the more likely one is to like it and have confidence in it. And the way to increase its favorability and trust ratings is first and foremost to increase its visibility. This usually entails investing in various forms of communications—direct and/or indirect, paid and/or earned—and articulates a relevant and credible message that resonates with the target audience.

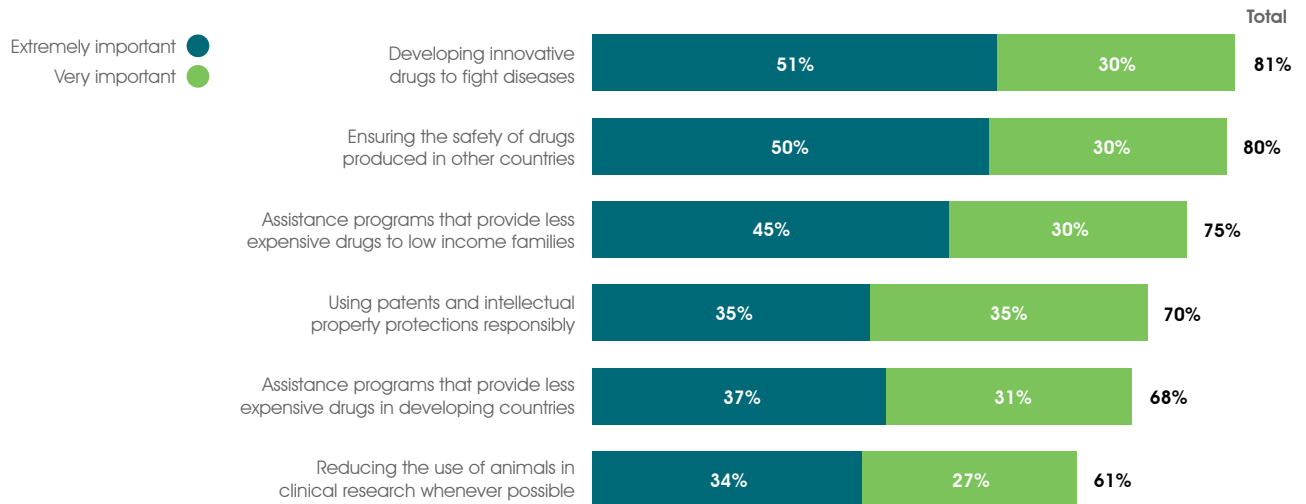
SOCIAL RESPONSIBILITY IS A PRIORITY FOR PHARMACEUTICAL COMPANIES

To make themselves better known, industry associations and companies should be mindful of addressing issues that truly matter to the public. Our research found that consumers throughout the world are unusually unanimous when it comes to issues pharmaceutical companies should tackle in priority to demonstrate social responsibility.

Chief among them are developing innovative drugs to fight diseases and ensuring the safety of drugs produced in other countries, both rated as very or extremely important by four out of five respondents in every region of the globe. Next, rated as very or extremely important by three out of four respondents and ranking in third place in each region, is providing assistance programs that provide less expensive drugs to low-income families.

As they seek to raise awareness about their brand name, their values and their programs to gain popularity and influence, pharmaceutical companies and trade associations are most likely to see their message resonate if they emphasize their contribution in bringing about medical breakthroughs, the social benefits of investment in new drugs or new techniques that result in treating diseases and saving lives, and their dedication to quality control and public safety.

GLOBAL CSR OPPORTUNITIES FOR PHARMACEUTICAL COMPANIES



Q. When it comes to corporate social responsibility, how important is it for pharmaceutical companies in general to address these issues in your country?

Base: All respondents (N=18,713)

Source: Global @dvisor – May 2012 – Average of 24 countries

To highlight the importance for pharmaceutical companies to be more vocal about their contribution to society, one only needs to look at how their perceptions in that area lag compared with perceptions of their products, leadership, and management.

Looking at six key drivers of trust, leading global pharmaceutical companies tend to receive significantly higher ratings on product quality and on their industry leadership than they do on corporate citizenship. In aggregate, 41% of consumers across the 24 countries rate the quality of the products and services of the 11 pharmaceutical companies measured as “above average”. Nearly as many (38%) rate their leadership in the industry as “above average”. Significantly lower proportions of global consumers rate the companies as “above average” when it comes to caring about the planet and the environment (26%), having as strong record of corporate social responsibility (29%) or just making a positive difference in their country (31%).

AMONG KEY REPUTATION DRIVERS, PHARMA COMPANIES PERFORM HIGHLY ON QUALITY AND LEADERSHIP, BUT TEND TO LAG ON CSR AND ENVIRONMENT-FRIENDLINESS: % RATING COMPANY AS WELL ABOVE OR SLIGHTLY ABOVE AVERAGE (GLOBAL AVERAGE FOR 11 LEADING GLOBAL PHARMA COMPANIES)



Q. How does each company or organization compare with other major companies or organizations, based on the following attributes?
 Base: Aware of each company among all respondents (N=18,713)
 Source: Global @dvisor – May 2012 – Average of 24 countries

IMPLICATIONS

For the pharmaceutical industry, having a poor image is often accompanied by exposure to increased regulation. Hence, both leading pharmaceutical companies and industry associations have an interest in demonstrating that they are aware of consumers' concerns and are addressing them effectively. Also, as seen in a number of countries, including the U.S., it is possible for individual pharmaceutical companies to enjoy a solid reputation that stands out from that of the overall industry itself. To grow favorability and trust, pharmaceutical companies first need to make themselves better known to the public. This entails investing in building awareness and familiarity. However, in order to be more trusted, pharmaceutical companies' communications should emphasize their contribution to society, especially when it comes to innovations to treat diseases and efforts to ensure product safety.

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