The quality of communication with staff, customers, media and the public contributes to reputation

FINDING THE TRUE VALUE OF REPUTATION

Measuring the value of a good reputation, in terms of how much it contributes to the organization's bottom line, can be challenging. Angela Sinickas suggests that companies focus on specific elements of reputation, such as the link between pricing and brand, word of mouth, and crisis management.

Financial analysts have long been able to place an overall financial value on a company's reputation, although it hasn't always been based on much solid evidence. For example, the value placed on a company's "goodwill" when it is being acquired takes a lot of heated negotiation.

However, it is also possible to quantify more specific elements of a company's reputation and its impact on various financial factors that contribute to the bottom line. One way is to look at the increased revenue that reputation can generate, either from being able to charge a higher price or from greater customer retention due to loyalty.

Another way to place a value on reputation is to look at the reduced costs a great reputation can lead to in terms of fewer lawsuits and boycotts. In both cases, how a company's employees and leaders interact with the public and the media can make a measurable difference.

Competitive bidding and pricing

Why are many consumers willing to pay more for a trusted name brand instead of a store brand, which often is the very same product with a different label and higher price tag? Reputation.

Johnson & Johnson is consistently ranked as one of the world's most trusted companies. Their handling of the Tylenol product recall when several consumers died of cyanide poisoning cemented an already strong reputation because they put their customers' safety ahead of short-term profit – even though the company had nothing to do with the product tampering. The impact of how their management and media relations staff behaved eventually resulted in higher sales of Tylenol after the product was reintroduced, in comparison to many other products whose sales never recover after a product recall.

Reputation as reinforced by employees also affects service companies, perhaps even more strongly. Consider the competitive world of insurance where advertising and marketing communications continually encourage policy-holders to obtain prices from lower-cost companies and switch their loyalty based on price alone.

Word-of-mouth in action

My husband and I recently dined with a group of friends. One of them mentioned how her insurance company, State Farm, showed up immediately when her family's new home had burnt to the ground, gave them immediate emergency funds, and took great care of them until they were able to move back in many months later. Another dinner guest talked about a similar experience with State Farm after a car accident. I, another happy State Farm customer for the last 28 years, felt very pleased to be covered by the same company knowing that if I needed help, I would likely feel as our two friends did.

We talked about the service difference we experienced and were willing to pay for even when solicited by lower-cost competitors. We congratulated ourselves and each other on how smart we were to pay more money, while reinforcing the company's reputation amongst ourselves and the other dinner guests who had nothing good to say about their own insurance companies. Our perceptions and the word-of-mouth we were creating were all fueled by the way State Farm employees interacted with their customers, from agents to call-center staff.

Consumer research

Much consumer research focuses on which companies in the same industry are seen to best typify various brand attributes or values. What the research rarely asks is to what extent customers' interactions with various groups of company employees either reinforced the reputation or brand values, or contradicted it (see Figure One). Once you know which interactions are working for and against your company's reputation, you can focus internal communications with various employee groups on knowledge and attitude messages that are more likely to lead to the desired ideal behaviors.

Lawsuits and boycotts

Many years ago, I tripped while getting on to the monorail at Walt Disney World because of an engineering error where one of the station platforms is several inches lower than the doorway of the monorail. I fell, cutting open my chin on the hard edge of a plastic seat. A man on the train (an attorney) said I should sue Disney because it was clearly a negligent defect. His wife instantly and loudly berated him in front of their children, saying, in effect, "How could anyone want to sue Disney?" Her comment mirrored my own

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feelings. How could I possibly take "The Mouse" to court?

I'm sure I'm not alone. Disney could measure part of the value of its reputation by comparing statistics of what percentage of injuries in its theme parks lead to lawsuits versus at theme parks owned by other companies. By multiplying the average cost of each lawsuit times the difference in rates of being sued, Disney could quantify one aspect of the value of a reputation for caring. That reputation will be reinforced by the way Disney's cast members (as park employees are known) interact with people who experience minor to major injuries at the parks.

Crisis management

Disney's reputation for caring suffered greatly after two tragic accidents at Disneyland in the last 10 years where the response must have been led by their legal staff. Disney didn't call in outside emergency help right away, did not fully cooperate with local police in the investigations, and were not open with the media. This secretive approach, which was inconsistent with the values the public associates with Disney, kept them on the news day after day for months after each accident.

I believe they learned a lot from these crises based on how they handled a recent derailment on the Thunder Mountain ride at Disneyland, which led to one death and several injuries. Their full and immediate cooperation with outside emergency services and the media resulted in virtually no follow-up coverage in the news after the first day other than some local stations praising Disney and CEO Michael Eisner's personal role in the handling of the tragedy.

Another aspect of Disney's reputation could be measured in lost ticket revenue at Disneyland in the weeks following the earlier accidents with long-lasting negative media coverage versus the more recent one with brief and favorable coverage.

Media relations and reputation

We can evaluate the impact of the media relations function by doing a survey of reporters on how they rate the PR staff at your own company versus the staff at your competitors on being responsive and accurate. Figure Two shows the results of such a study in the financial services industry.

When conducting this type of research, the client sponsoring the study should not be identified until after all the companies have been rated to prevent skewing the results. Follow-up discussions with reporters showed that some of the reasons why our client was rated so highly were how easy it was to reach the right person and how quickly they responded, even when the coverage was not going to be favorable. Reporters said that that responsiveness made them call our client first whenever they were doing industry wrap-up stories where the coverage would generally put the companies in a good light.

Figure One: Customers perceptions of brand values based on employee interactions

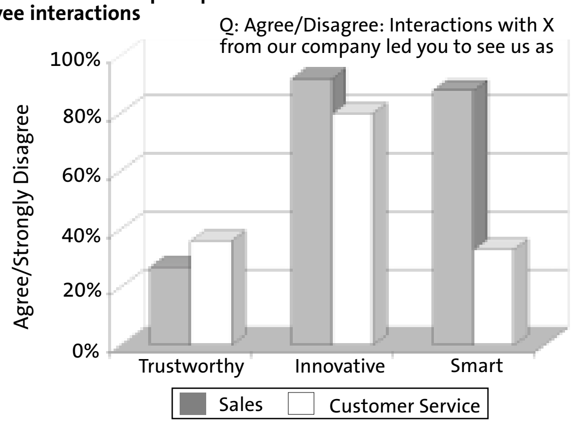
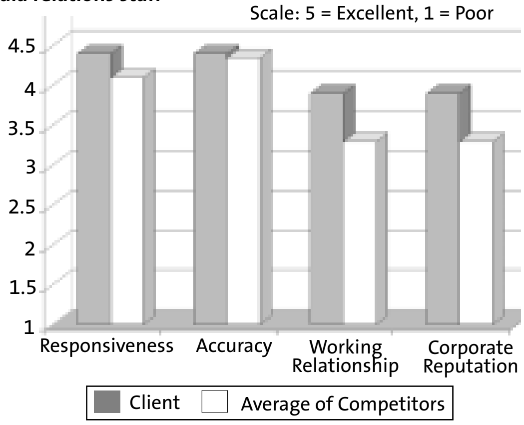


Figure Two: Survey of reporters on interactions with media relations staff



Measuring the impact

At a recent Conference Board workshop, Dan Collins, division VP of corporate communications at Corning, Inc., gave a memorable example of the impact media relations can have on reputation. A reporter covering Corning's industry has written a book to be released soon, called *Broadband Bandits*, which will mention a lot of negative information about virtually all of Corning's competitors, but not Corning.

Dan and his company's chairman recently met with the author and hesitantly asked how they were lucky enough not to be criticized in his book. The answer was the way Corning's media relations staff and executives worked with the media during a difficult time for Corning and an industry to which they supply fiber-optics. While it wouldn't be too hard to quantify the financial impact on Corning and its competitors after the book is released, the impact beyond price was the chairman's gratitude to Dan and his staff after that meeting. scm