



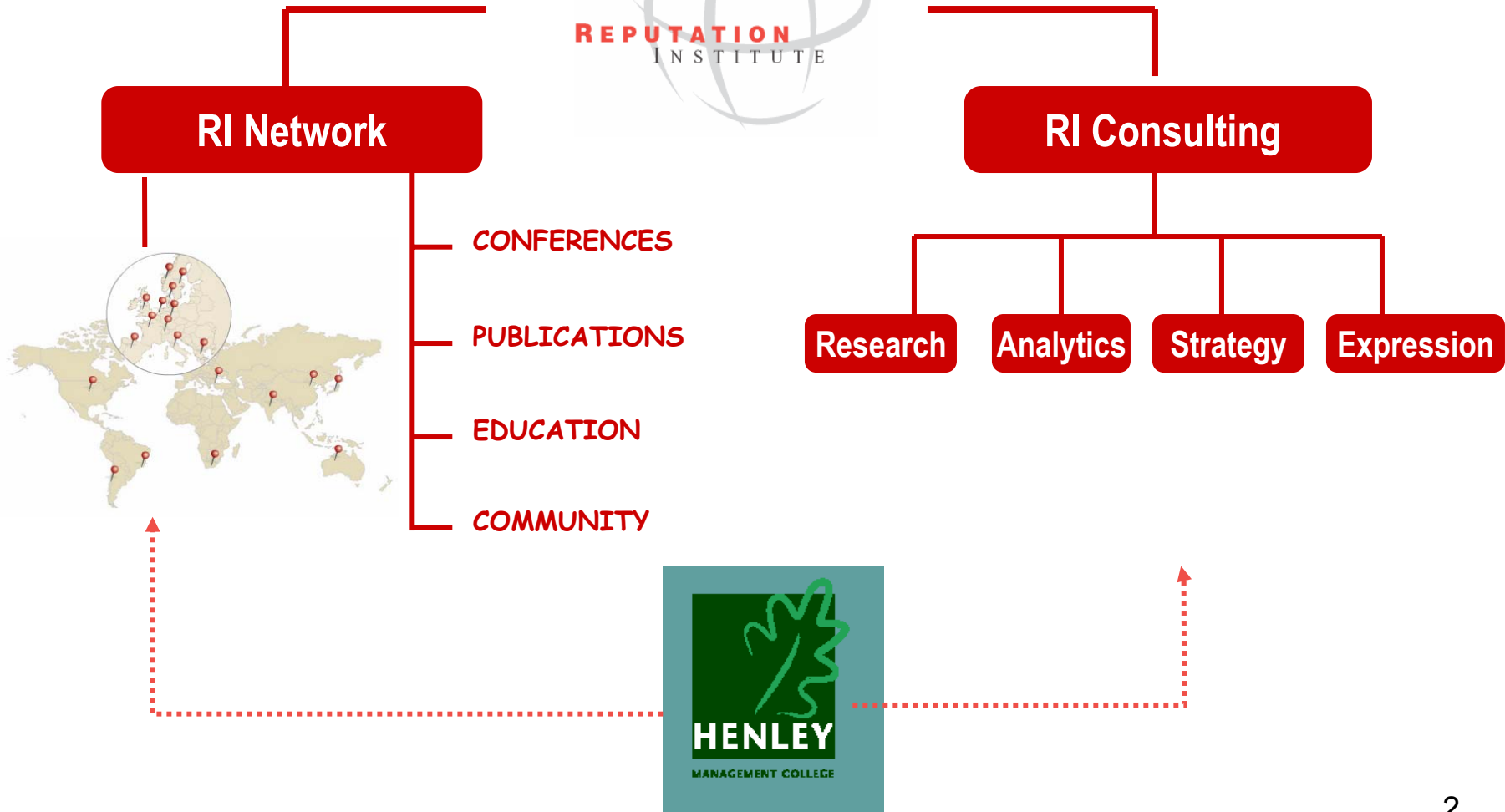
Reputation Management: A Framework for Measurement and Valuation

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Executive Director
Reputation Institute

Henley Management College
22 September 2005



RI 'At-A-Glance': A Network Organization



Agenda



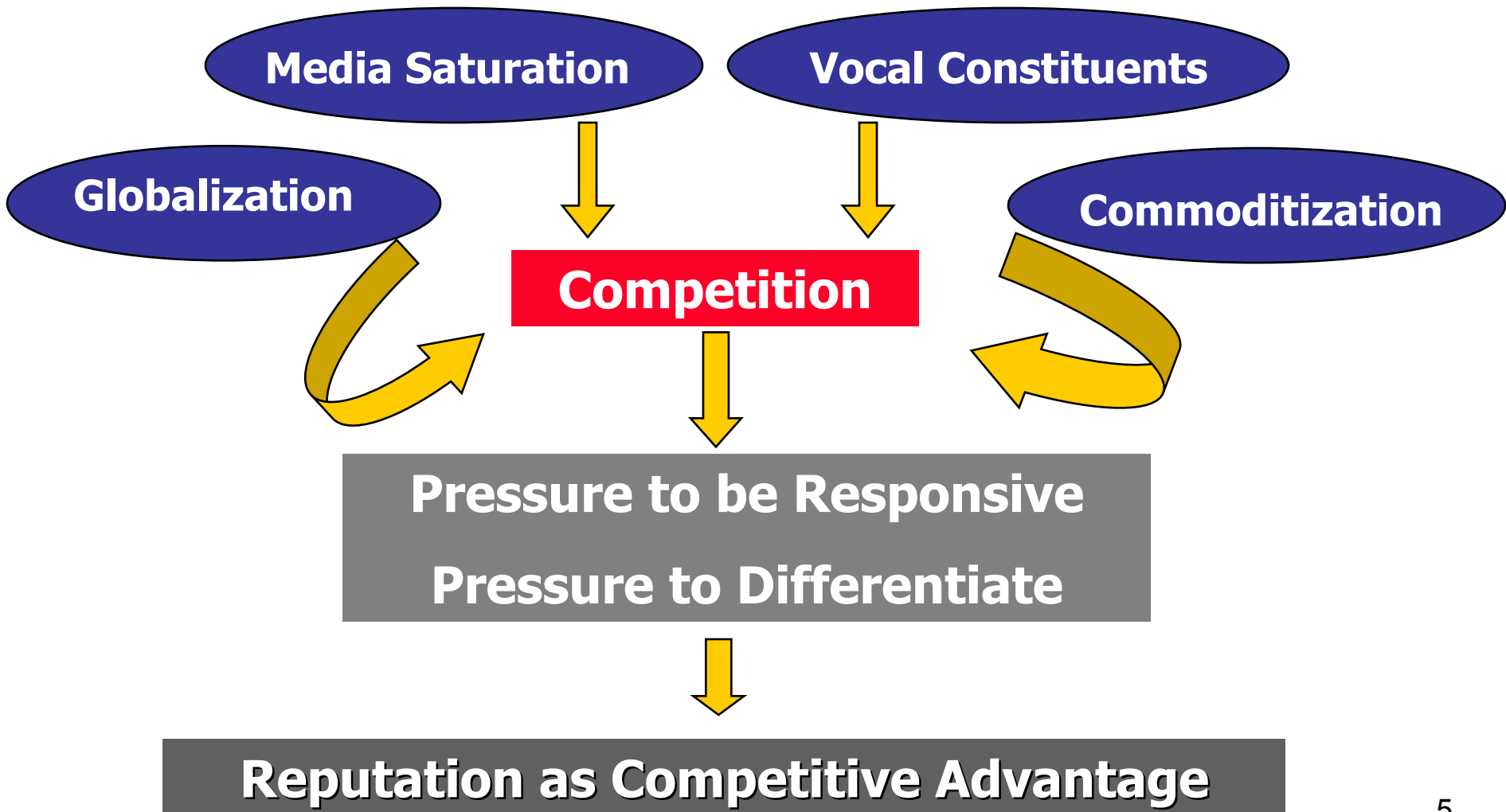
1. Why Reputation?
2. What is Reputation Management?
3. Measuring Reputations
4. Valuing Reputations
5. Changing Reputation



1. Why Reputation?



The Battle for Mind-Share



The Growing Visibility of Corporate Brands



Infinite possibilities.

DAIMLERCHRYSLER
Answers for questions to come.



What is Altria?
Altria Group, Inc. is a parent company whose roots are firmly planted in success, through years of strong financial performance and global reach.
A parent company whose branches are blue chip operating companies: Kraft Foods, Philip Morris International and Philip Morris USA.
From these branches grow many brands each worth a billion dollars or more, like Marlboro, Nabisco and Oscar Mayer.
Along with hundreds of other household names such as Altria, Parliament, Post and Ritz.
Altria Group, Inc. is the parent company of a family of operating companies, that makes the world's best known brands.



Altria
Kraft Foods
Philip Morris International
Philip Morris USA
altria.com NYSE: MO



2. What is Reputation Management?



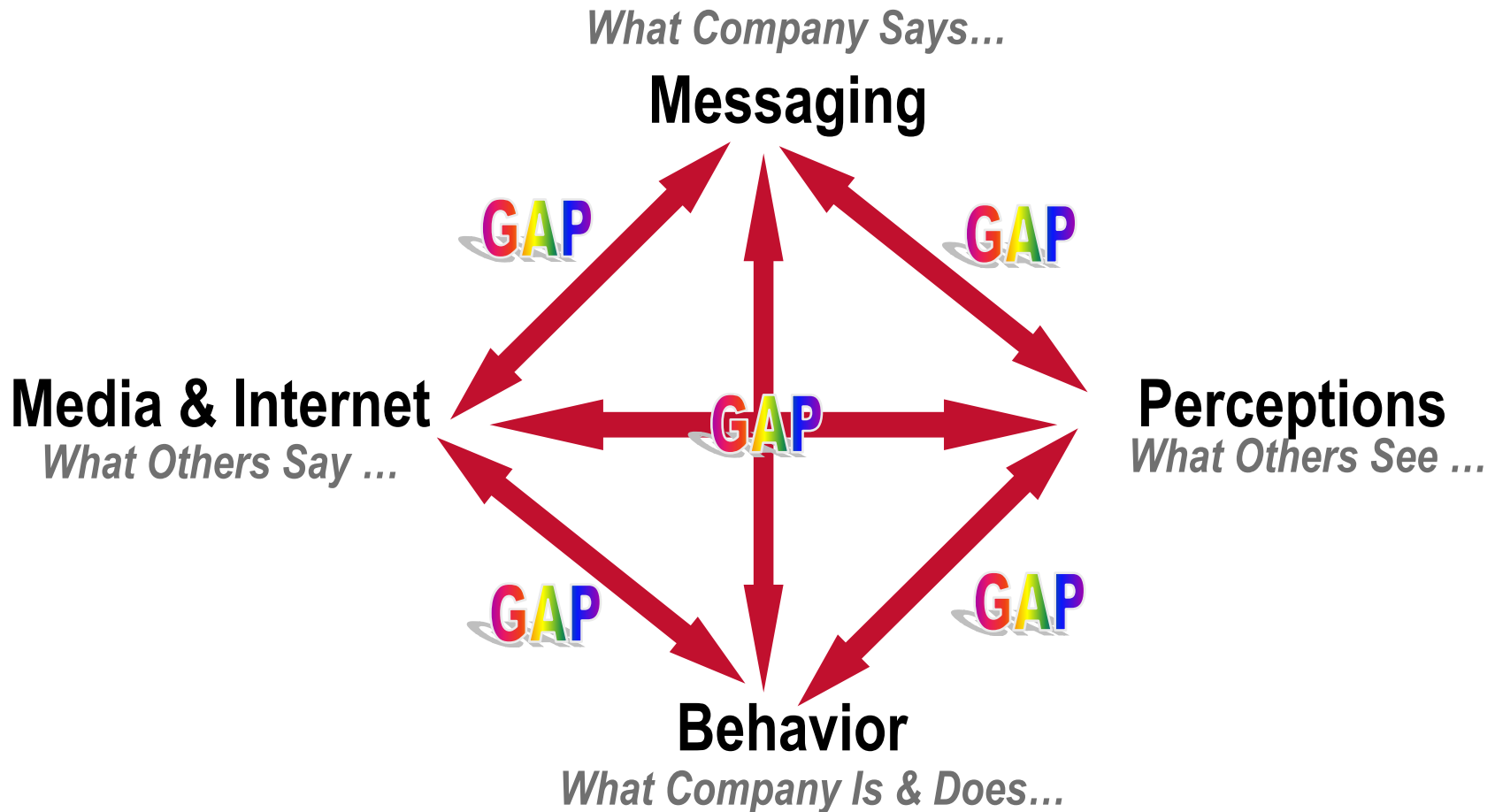
Related Concepts in Reputation Analysis



	Emergent	Strategic
Inside-Out	Identity	Brand
	<i>The internal features of a company that are central, distinctive, and enduring.</i>	<i>Symbols that companies use systematically to distinguish themselves from rivals.</i>
Outside-In	Image	Reputation
	<i>The perceptions and associations that form in observers' minds when they think about a company or its products.</i>	<i>The overall esteem in which a company is held by its constituents.</i>

Inconsistencies between Brand & Reputation

Create Gaps in what Stakeholders “See” and “Say”



Key Steps in Managing Reputation

Outside-In Analysis

- How are we **perceived** by our key stakeholders?
 - Employees, Public, Media, Investors

Inside-Out Analysis

- What do we **say** about ourselves?
 - Do we have good “story” to tell? Do we tell our story well?

Gap Analysis

- What’s “**real**” and what’s not?
 - How do we improve what we are?

Consistency

- Is what we do **consistent** with what we say?
 - Across segments? Geographies?

Distinctiveness

- Are we **distinctive** in how/what we say and do?
 - Compared to rivals?

Reputation Risk

- How can we **stand out** more?
 - What are the *downside risks* of standing out?



TRACKING



3. Measuring Reputations



Need a Valid Barometer to Measure & Track Slow Changing Conditions around Companies



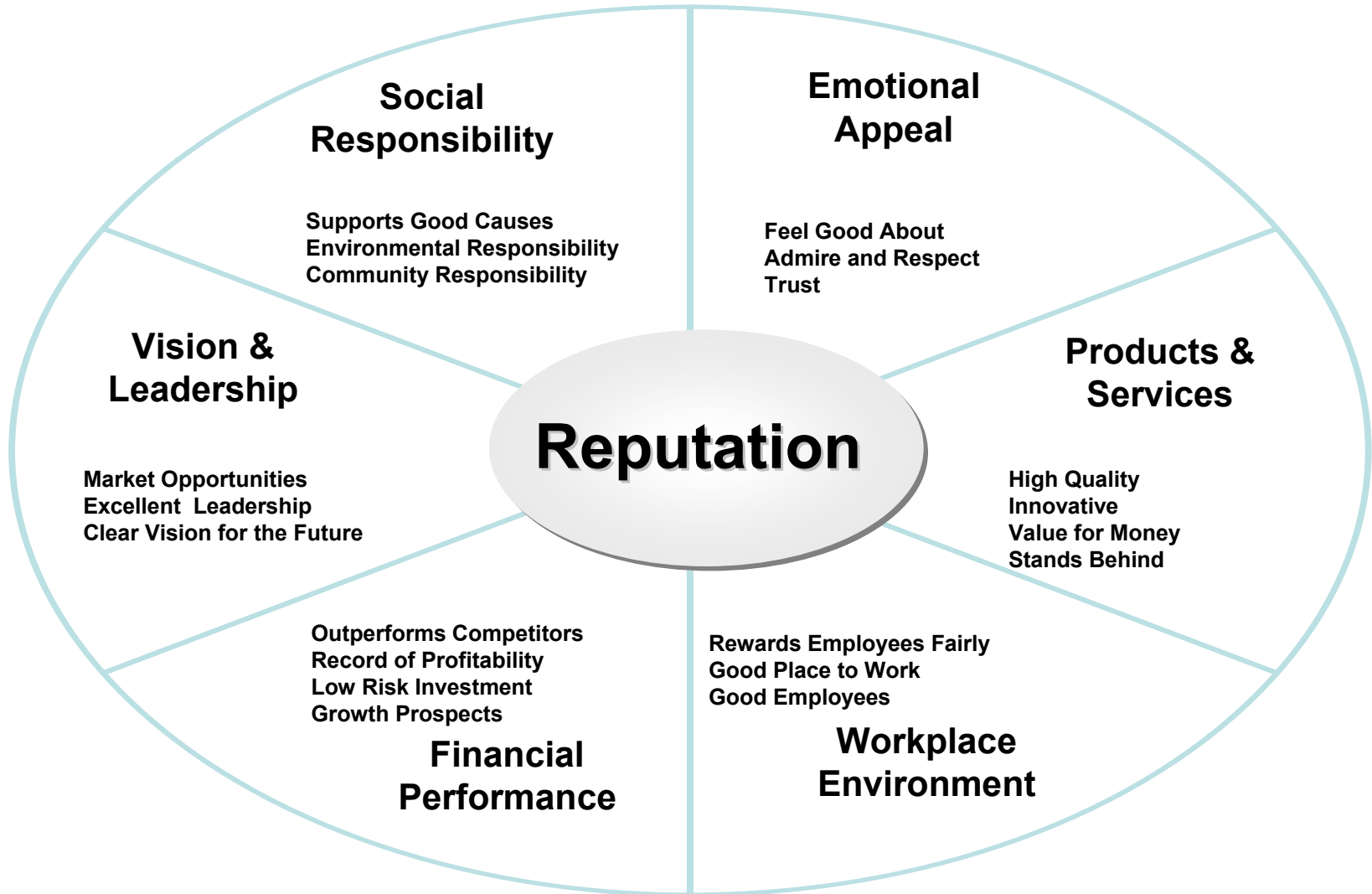
Initial Qualitative Research

International Focus Groups in Seven Countries



Country	Language	Individual	Affiliation	Number of Groups	Description of Groups	Number of Respondents
Australia	English	Don Porritt	AMR Interactive	2		16
Belgium	Dutch & French	Frank Thevissen	University of Brussels	4	Professionals & Consumers	32
Greece	Greek	Peter Constantinidis	Tradelink Reputation Management	2	Professionals & Consumers	16
Italy	Italian	Davide Ravasi	Bocconi University	3	Professionals	15
Netherlands	Dutch	Rinie Haverlag	Blauw Research	2	Professionals & Consumers	14
United Kingdom	English	Keith MacMillan	Henley Management College	4	Professionals & Students	32
United States	English	Andy Semons	WeberShandwick	5	Professionals, Consumers & Students	30

Led to the Harris-Fombrun Reputation QuotientSM (RQ)



Annual RQ Methodology (2004)



	# Waves	# of Companies Rated Each Year	Number of Interviews	Method	Number of Companies Measured	Average Ratings per Company
USA	6	80	22,166	Online	60	600
Australia	5	25	6,523	Telephone + Online	25	235
Netherlands	4	30	3,000	Online	20	250
Denmark	4	20	3,242	Telephone + Online	15	250
Sweden	2	20	2,640	Online	15	250
Norway	2	20	2,787	Telephone + Online	16	250
UK	1	15	7,373	Online	15	600
France	1	15	3,607	Online	15	325
Germany	1	15	6,947	Online	15	600

Results:

The Reputations of the Most Visible Companies (2004)



United States

1. Johnson & Johnson	79.81
2. 3M Company	79.07
3. The Coca-Cola Company	78.90
4. The Procter & Gamble Company	78.26
5. United Parcel Service (UPS)	78.24

United Kingdom

1. Virgin Group	77.2
2. Sony	76.1
3. The Body Shop	74.4
4. Microsoft	74.1
5. Tesco	72.8

Germany

1. Porsche	75.4
2. ALDI	75.2
3. BMW	73.2
4. Microsoft	70.0
5. Siemens	69.0

France

1. L'OREAL	76.1
2. Danone	73.5
3. Microsoft	69.8
4. PSA Peugeot Citroen	69.2
5. Carrefour	68.2

National Biases are Evident when Comparing Scores Internationally



Company	RQ	Country
A.P. Møller-Mærsk	84.4	Denmark
Danfoss	82.4	Denmark
Grundfos	81.6	Denmark
Bang & Olufsen	80.7	Denmark
Novo Nordisk	80.4	Denmark
Johnson & Johnson	79.8	USA
Virgin Blue	79.5	Australia
IKEA	79.3	Sweden
Microsoft	79.2	Australia
3M	79.1	USA

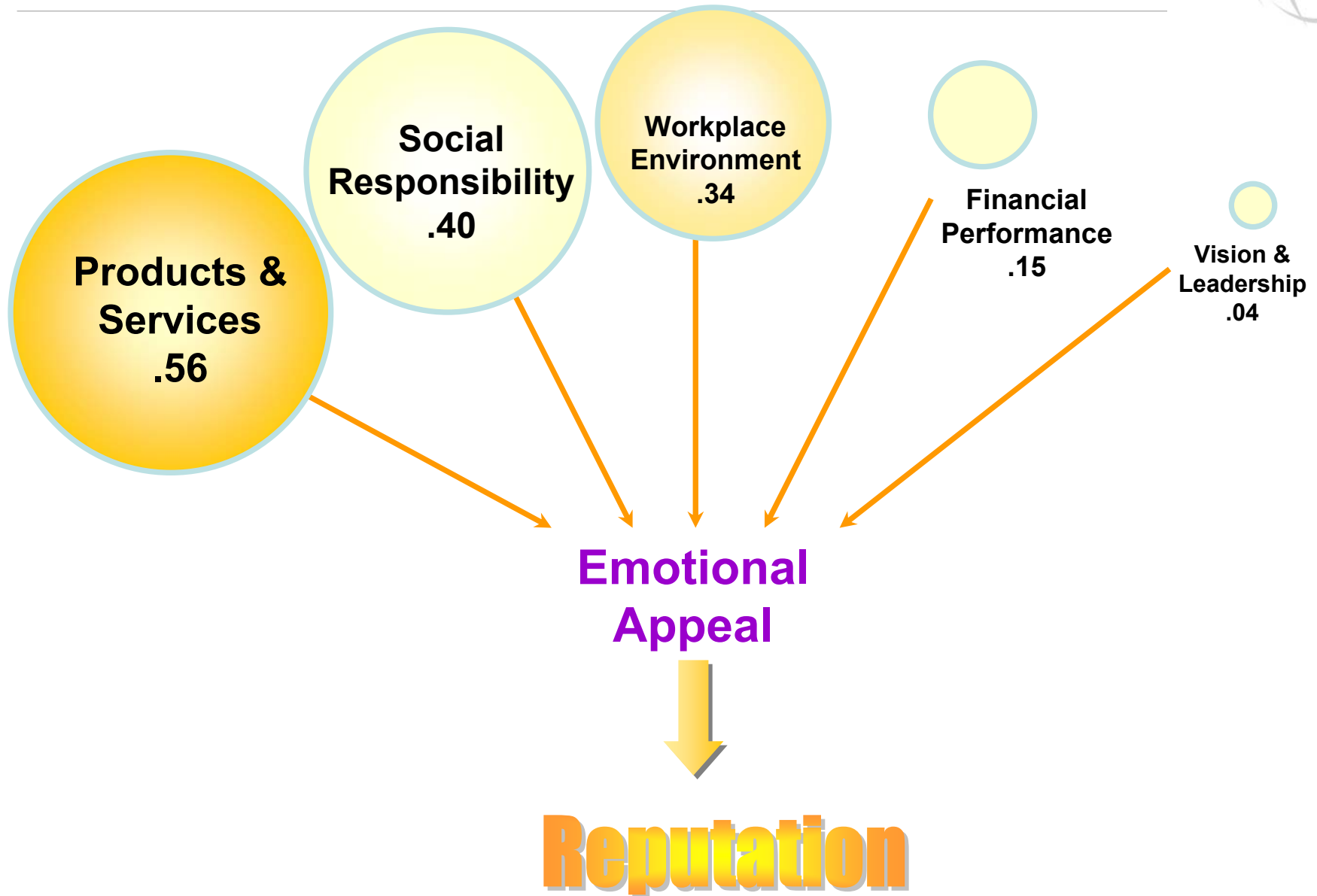
Highest Rated Companies (2004)

Adjusted for National Bias

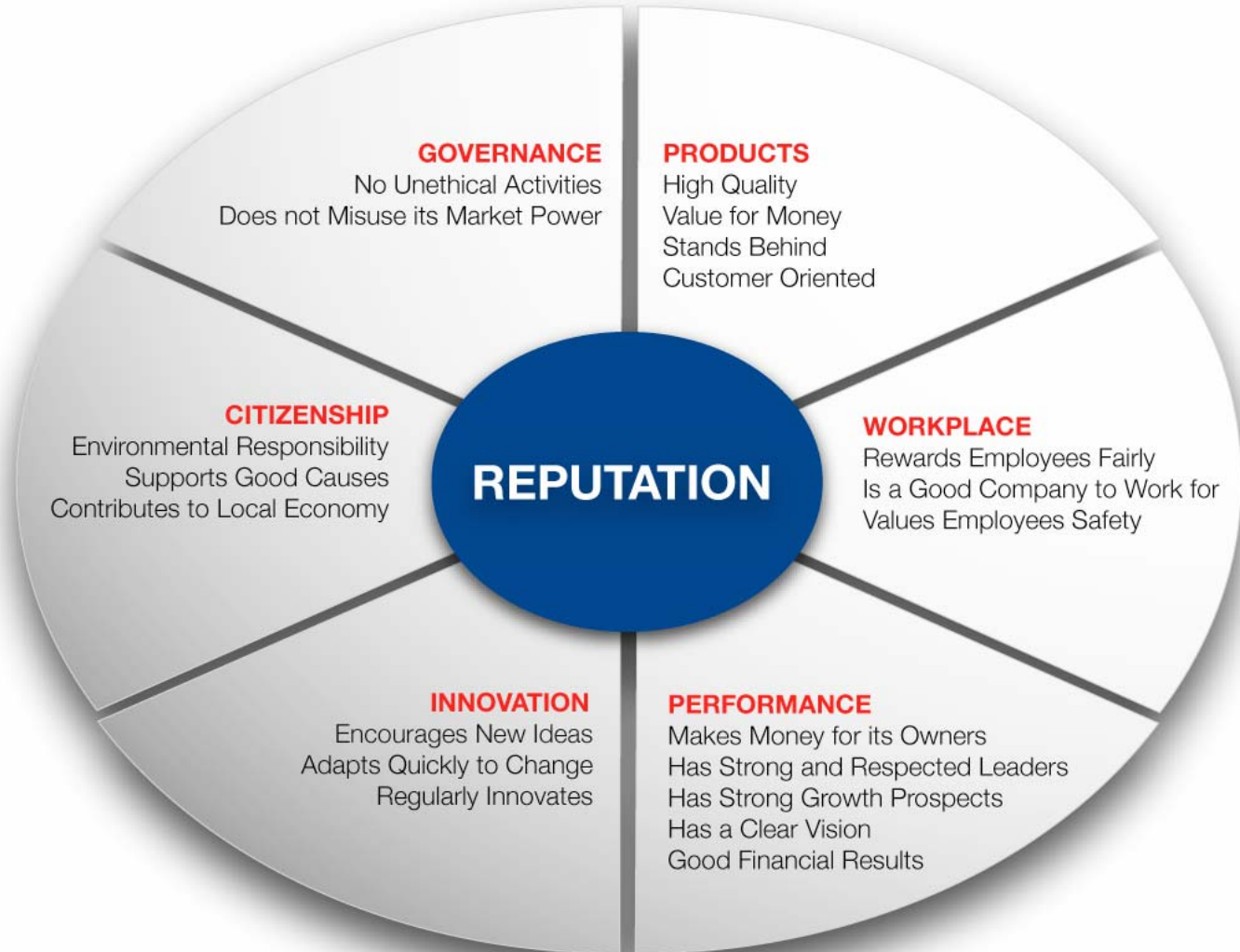


Company	RQ* (Z-score)	Country
Tine	1.74	Norway
Virgin Blue	1.64	Australia
Microsoft	1.59	Australia
L'Oreal	1.46	France
A.P. Møller-Mærsk	1.46	Denmark
IKEA	1.41	Sweden
Virgin Group	1.39	UK
Johnson & Johnson	1.27	USA
REMA 1000	1.26	Norway
Sony	1.25	UK
Porsche	1.23	Germany
ALDI	1.20	Germany
Nokia	1.20	Sweden
3M	1.19	USA
Danone	1.18	France

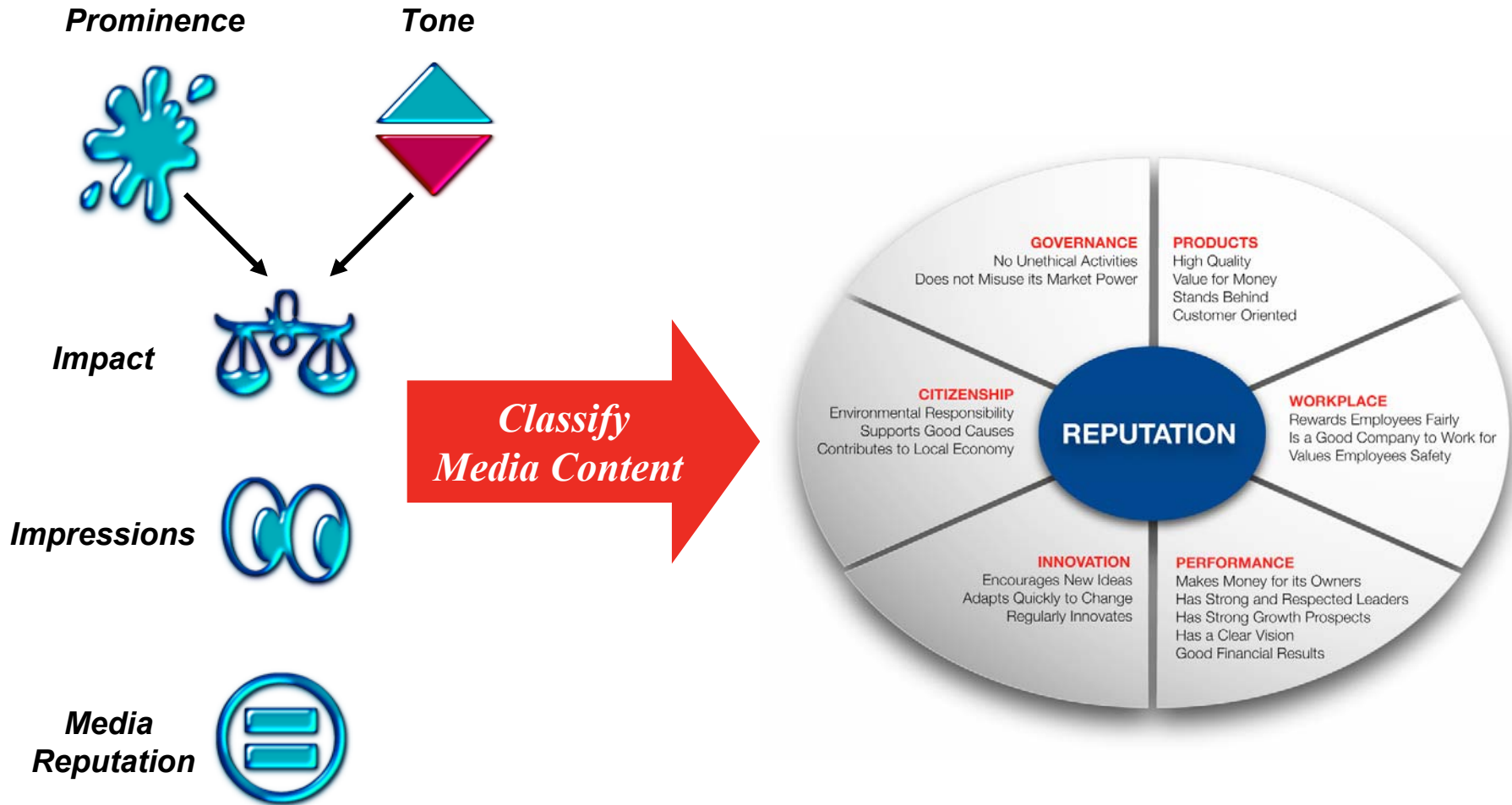
Driver Analysis Shows Need to Weight Reputation Attributes



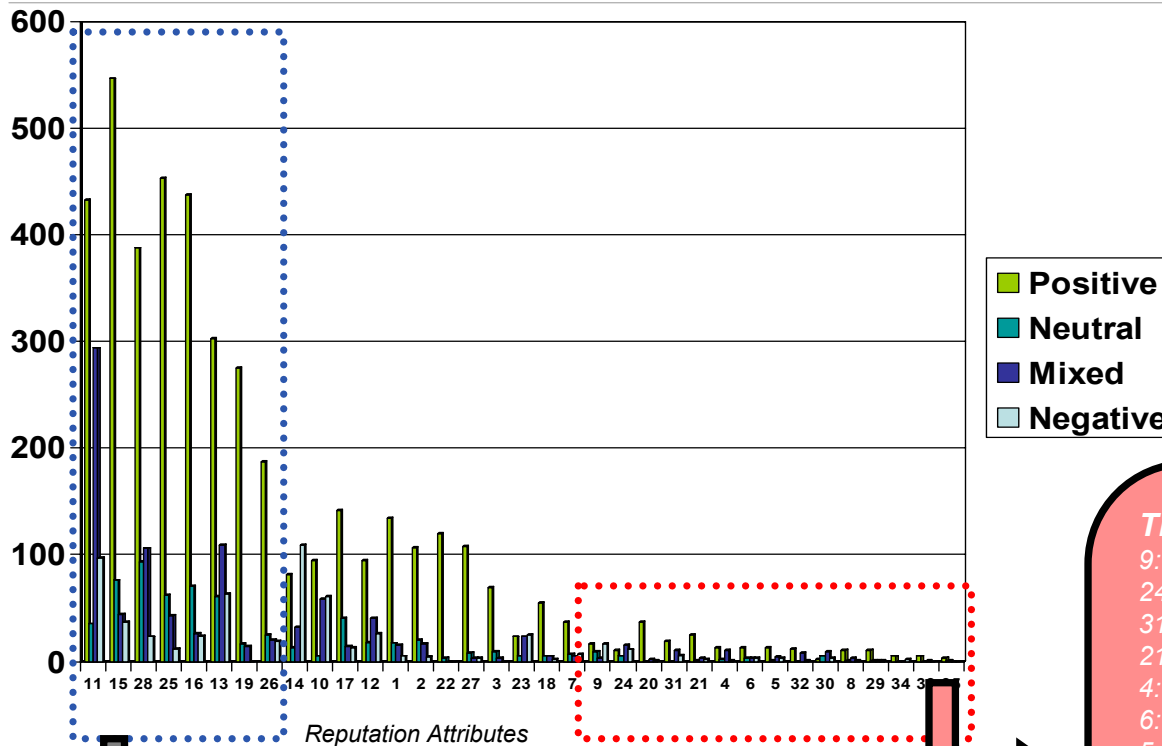
RI's Revised Standard for Measuring Corporate Reputation



Apply Reputation Model to Assess Media Coverage



Example: The Media Conversation taking place about a High Tech Company



The 'conversation' IS about:

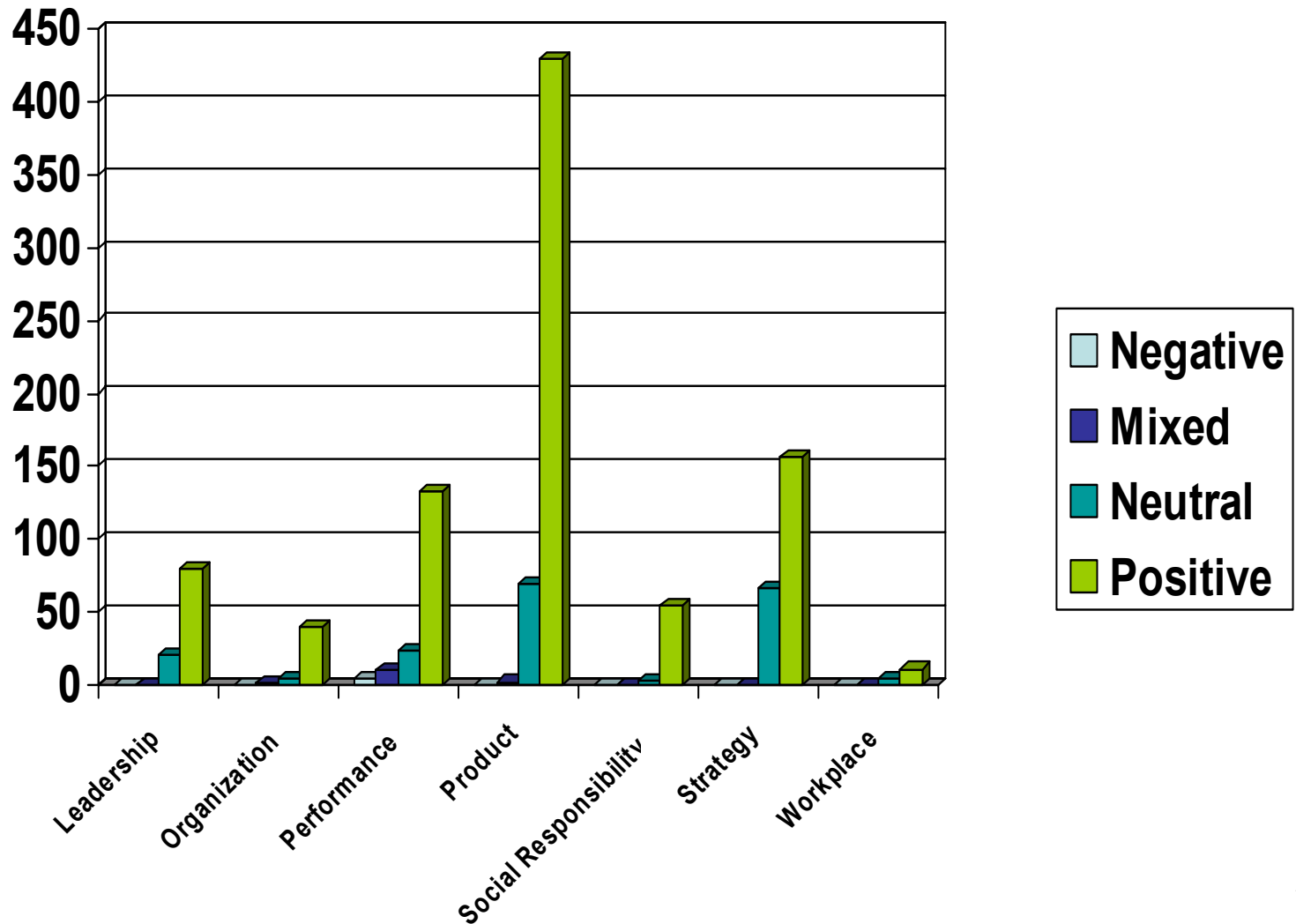
- 11: Future growth prospects
- 15: Leadership in innovation
- 16: Making high quality products
- 25: Taking advantage of market opportunities
- 13: Out-performing competitors
- 19: Making products that improve lives

The 'conversation' is NOT about:

- 9: Inviting open and frank conversations
- 24: Honesty and integrity in actions/communications
- 31: A good company to work for
- 21: Acts responsibly to protect the environment
- 4: Makes difficult business decisions in a timely way
- 6: Maintains an entrepreneurial spirit
- 5: Has an effective system of governance
- 32: Encourages employee growth and development
- 30: Hires the best employees
- 8: Adapt quickly to change
- 29: Rewarding its employees fairly
- 33: Recognizing and supporting employee diversity
- 34: Valuing employee safety
- 35: Encouraging development of women and minorities

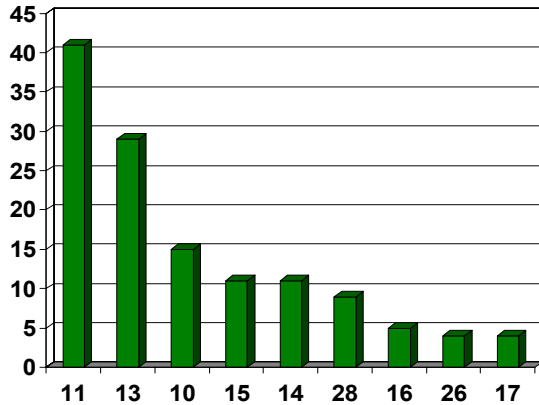
What is Company Saying in its Communications?

of Mentions



How Do Analysts & Media Interpret Company?

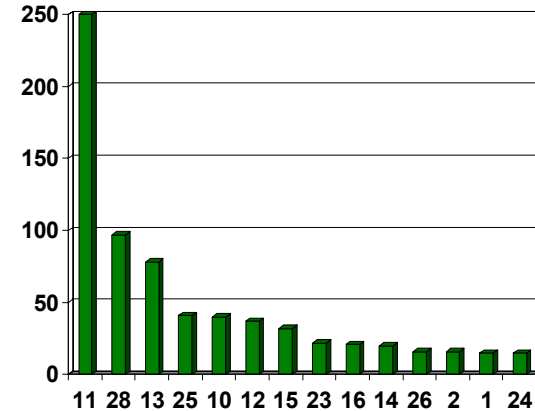
Financial Analysts



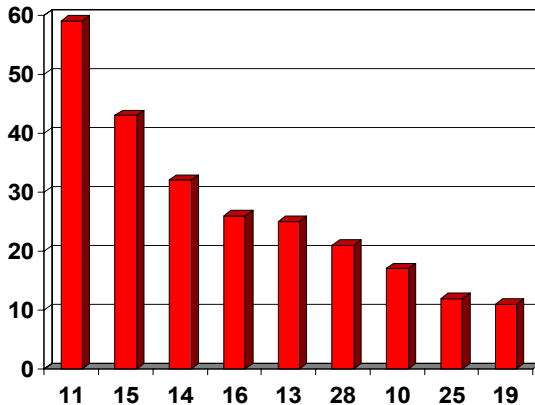
Reputation Attributes

Positive

Media

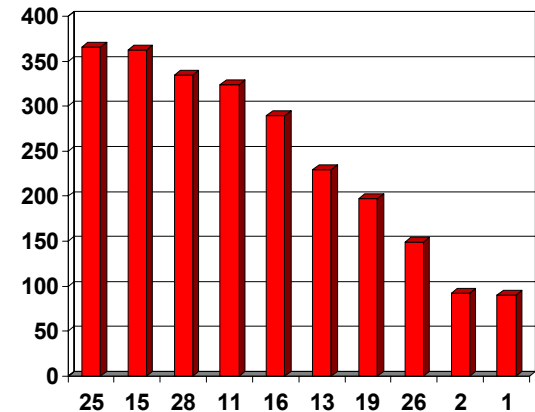


Reputation Attributes



Reputation Attributes

Negative



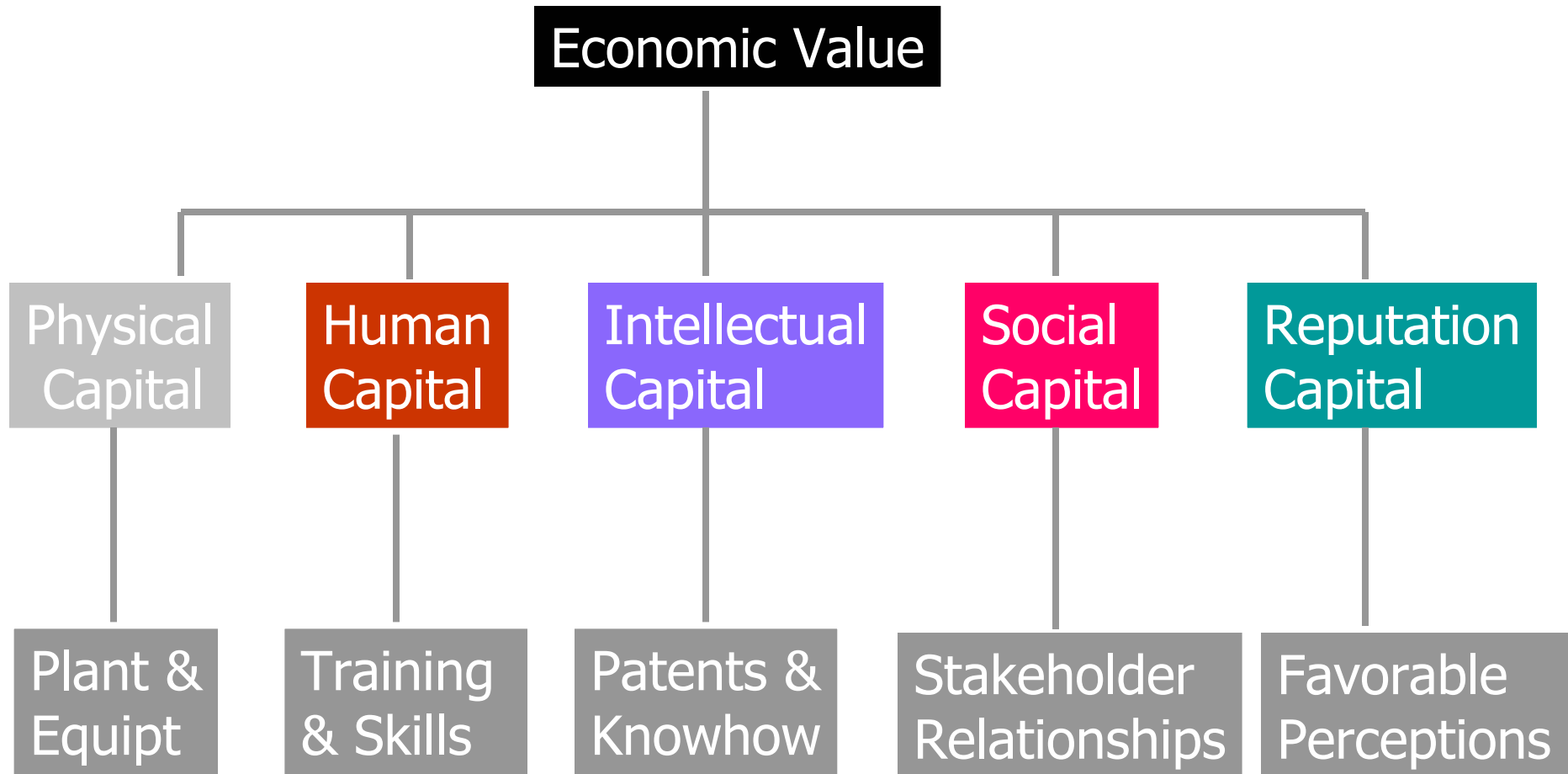
Reputation Attributes



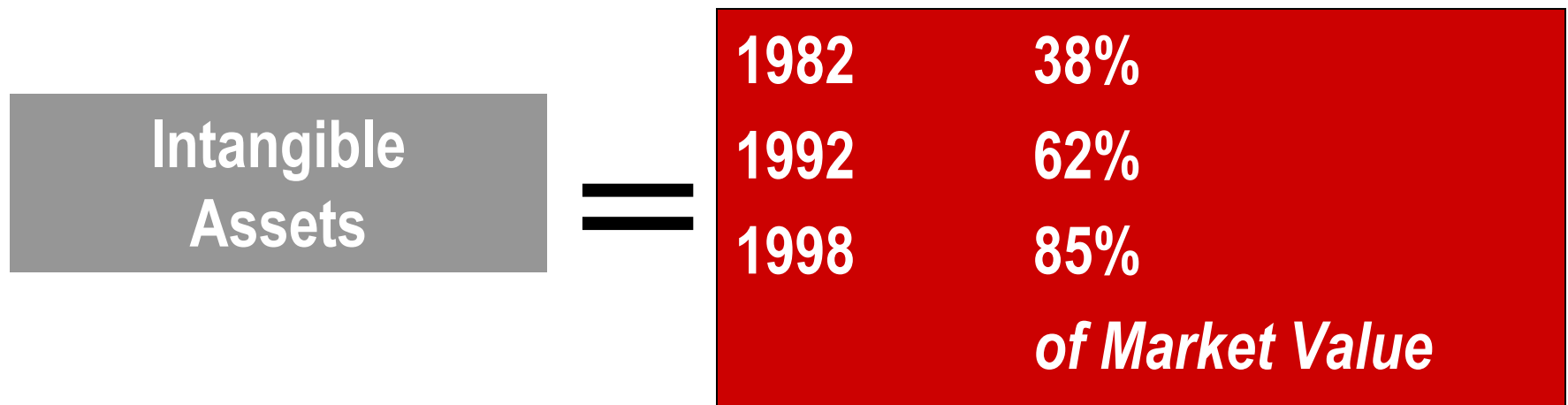
4. Valuing Reputation



Reputation is Part of the Value Equation

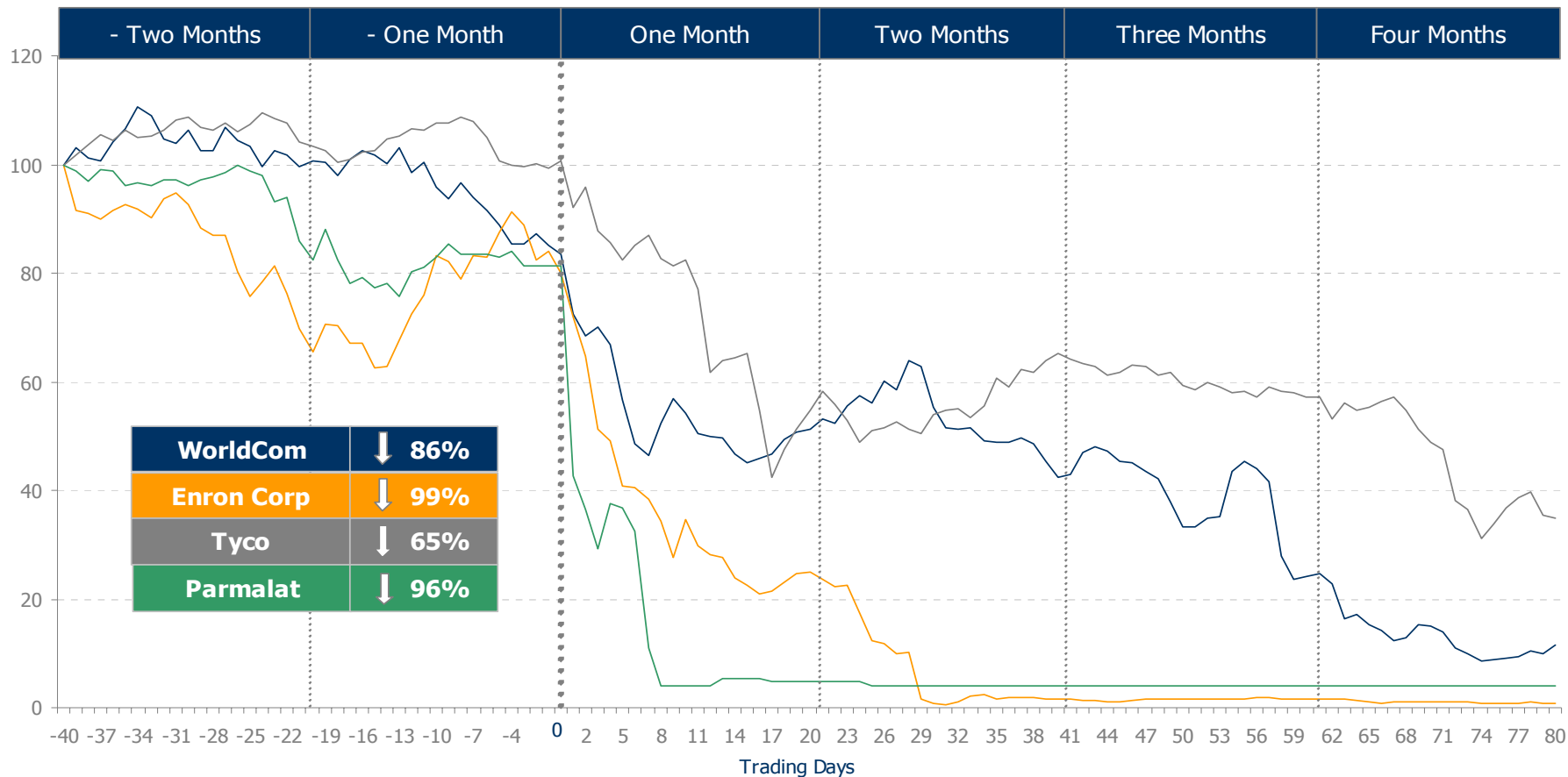


High Estimates of Market Value of Intangible Assets

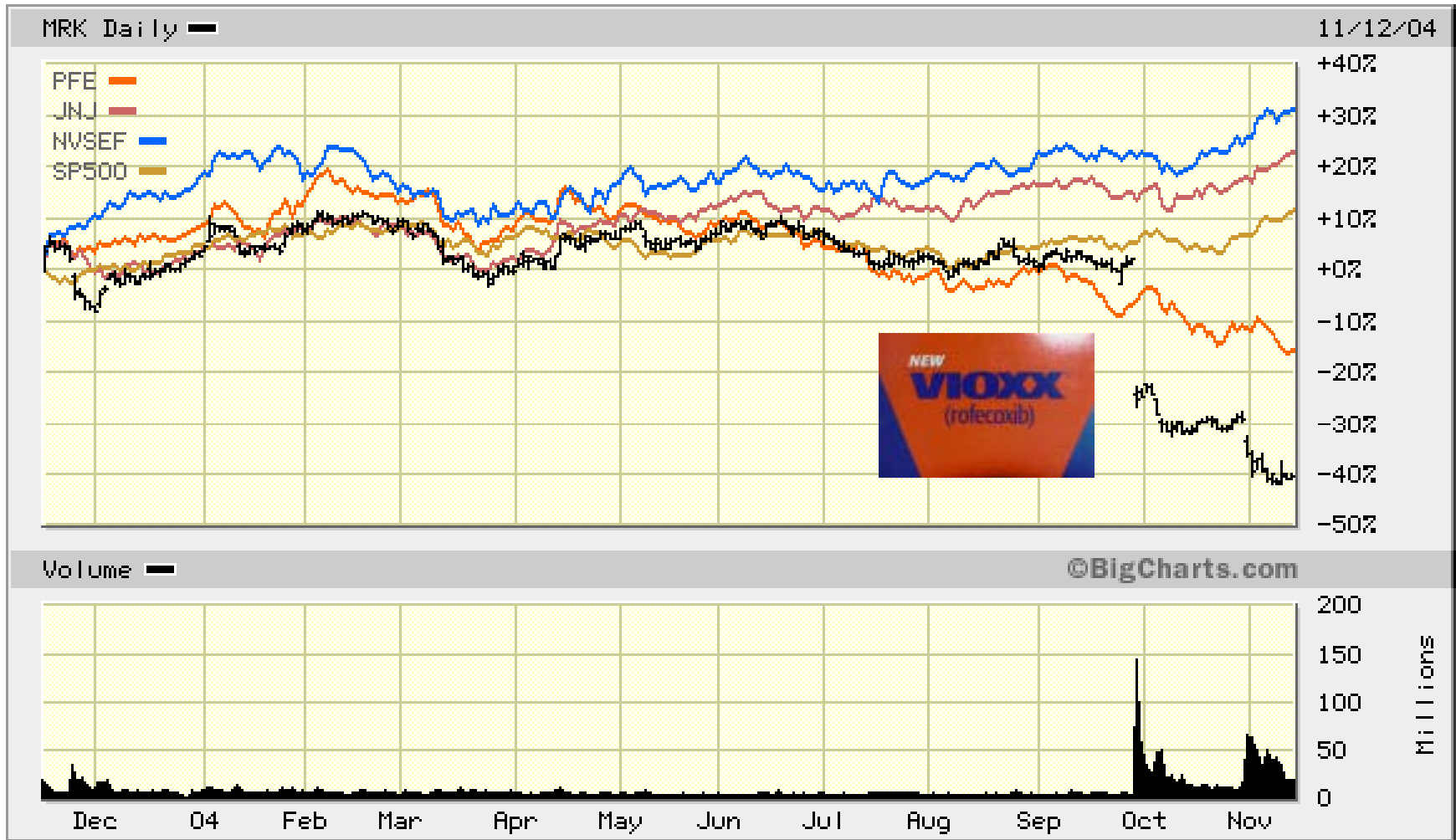


Source: *Brookings Institute, 1994; Fombrun, 1996; Lev, 2000*

Reputation & Market Value



Pharmaceuticals Stock Price Sept 2003 - Dec 2004



Changes in Reputation Have a Powerful Effect on Market Value ...and Vice-Versa



5% Change in
Corporate Reputation

=

3% Change in
Market Value

Based on multivariate analysis of all companies in Fortune's Most Admired surveys (1983-1997), see Black, Carnes & Richardson, *Corporate Reputation Review*, Spring 2000

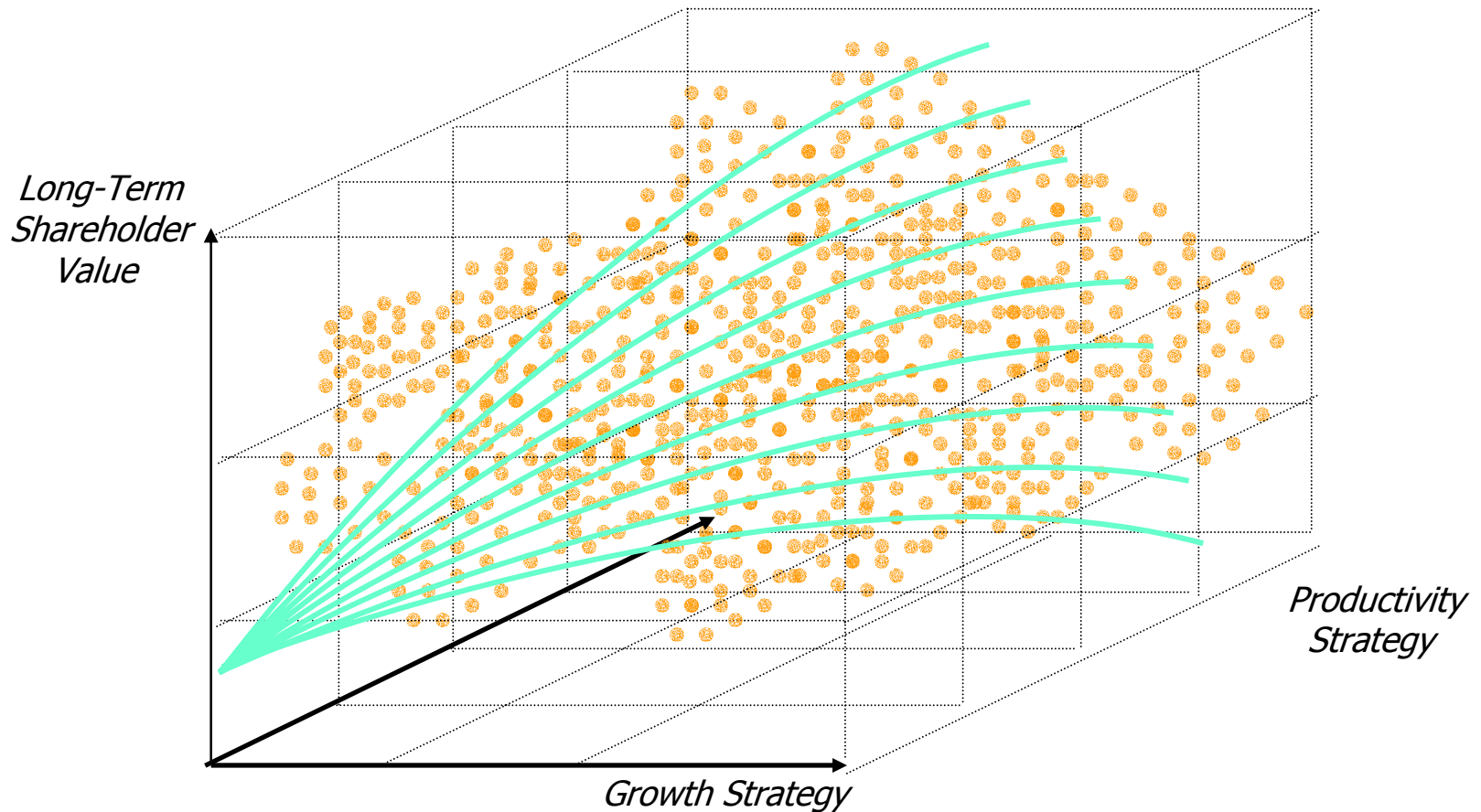
Based on comparative analysis of 10 portfolios of equivalent risk-return profiles, see Srivastava et al., *Corporate Reputation Review*, Fall 1997.



5. Changing Reputation



Optimization Analysis: What's the Optimal Path for Improving Both Reputation and Value?



Our Working Hypothesis: Corporate Expressiveness Drives Reputation



Principle #1: Reputation Comes from Visibility...



Magazine Articles
Magazine Advertising
Newspaper Articles
TV Advertising
TV Programs

<i>Low Reputation</i>	<i>High Reputation</i>
28%	57%
20	48
22	45
5	26
5	21

Principle #2: Distinctiveness from Emotions



Introducing Johnson's® Safety Swabs.
Finally, a swab that's been babyproofed.

New Johnson's Safety Swabs are recommended by pediatricians because they are clinically proven to help prevent entry too deep into your baby's ear. That's because only Johnson's Safety Swabs have the uniquely designed Ear Safe Bulb™. No one but Johnson's could make caring for your baby's ears as soft and gentle as whispering in them.

Not just gentle, Johnson's® gentle.

Gentle her Today's.

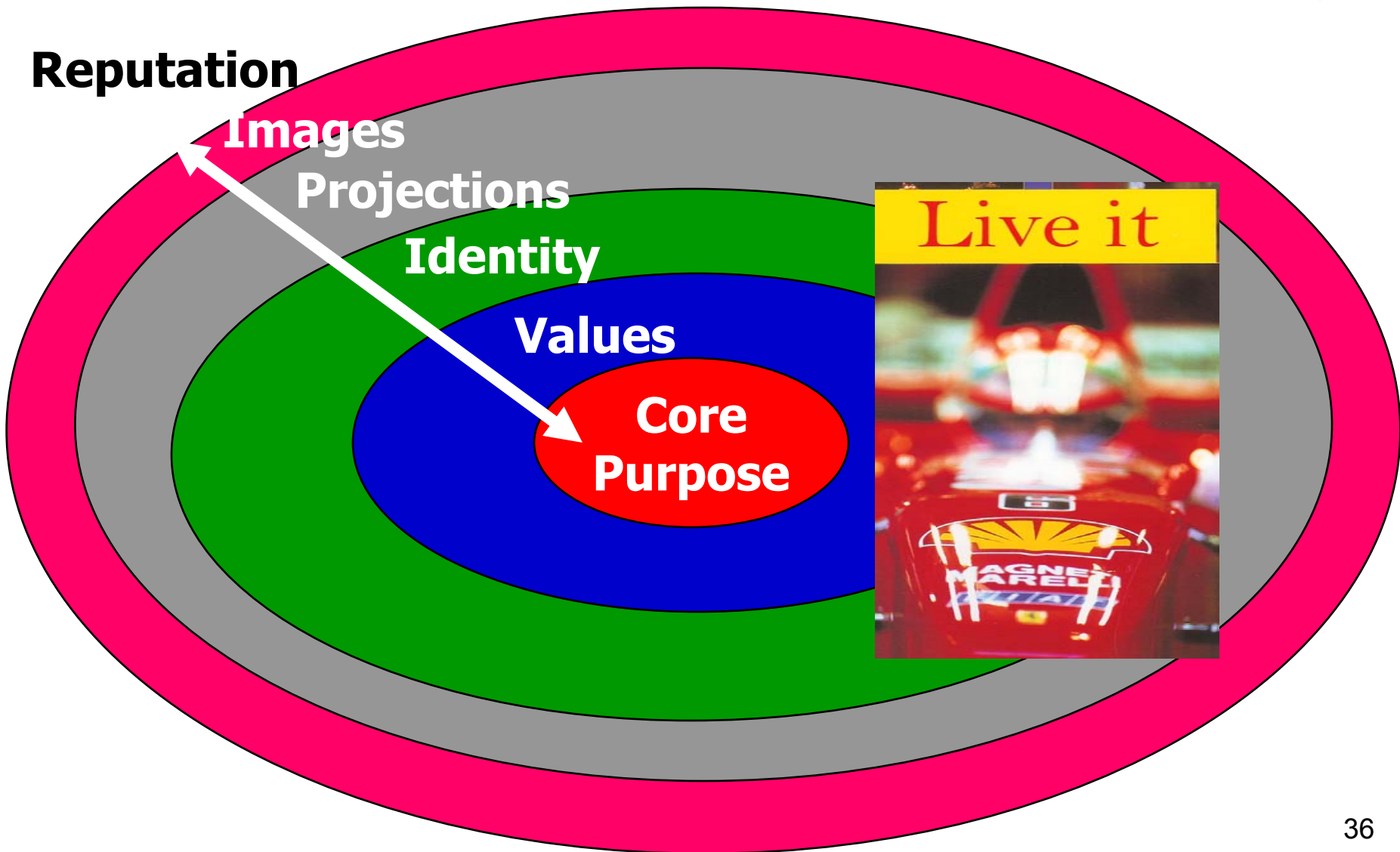
Because newborns may not have fully developed blink or tearing reflexes, Johnson's® Baby Shampoo was designed to be as gentle to your baby's skin as pure water. With your touch and Johnson's, she can face the future with her eyes wide open.

Johnson & Johnson



Principle #3: Authenticity Comes from Living the Values

Reputation



Principle #4: Consistency Develops from Aligning Internal & External



Innovation

3M

**To solve
unsolved problems**

Just Do It



**To experience the emotion
of competition, winning,
and crushing competitors**

**Making
Magic**

Disney

To make people happy



← Consistency →



Principle #5: Transparency builds Trust with Stakeholders



Is Your Company Sufficiently “Expressive”?

Visible

How visible are corporate themes and messaging elements generally –in internal and external channels?

Distinctive

Are messaging themes distinctive -- clearly differentiated as a corporate position? Is there a clear promise?

Consistent

Is messaging integrated, coordinated across channels and stakeholder groups? Are the same symbols, slogans used?

Transparent

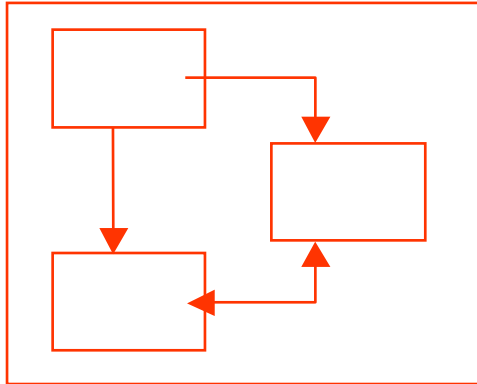
Is information delivered in the right amount, of the right type? How *forthright* is firm in disclosing information important to stakeholders? Is firm responsive to concerns?

Authentic/Appealing

To what extent do corporate themes appear authentic and inspire emotional appeal internally and externally? i.e., get attention and motivate supportive behaviors?

Integrate Brand & Reputation around a Reputation Platform

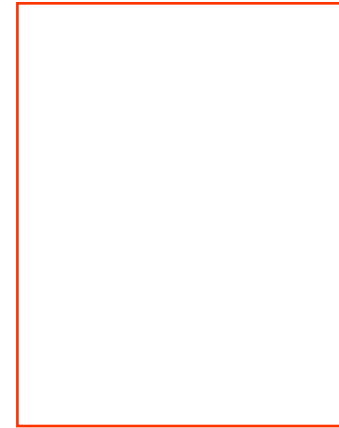
ABILITIES



ACTIVITIES



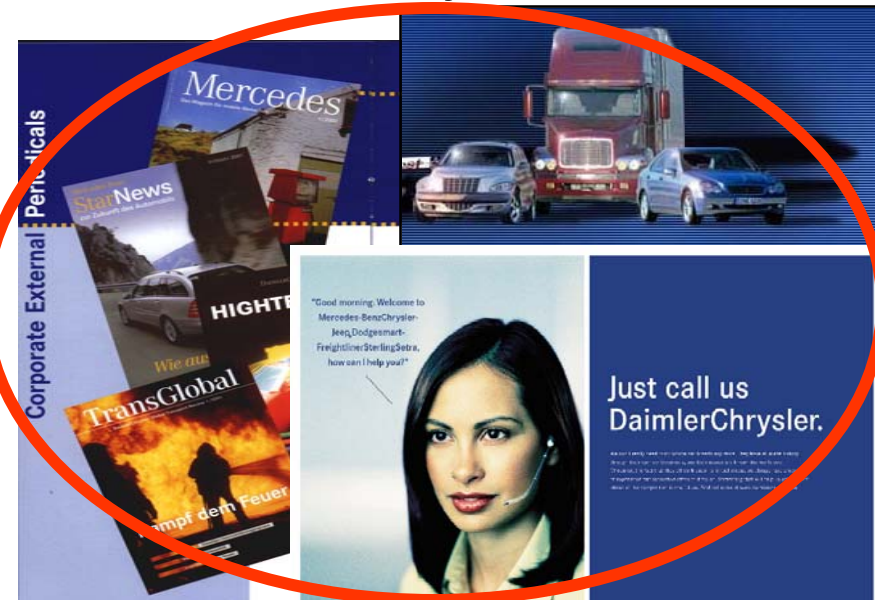
ACCOMPLISHMENTS



The Virgin Platform

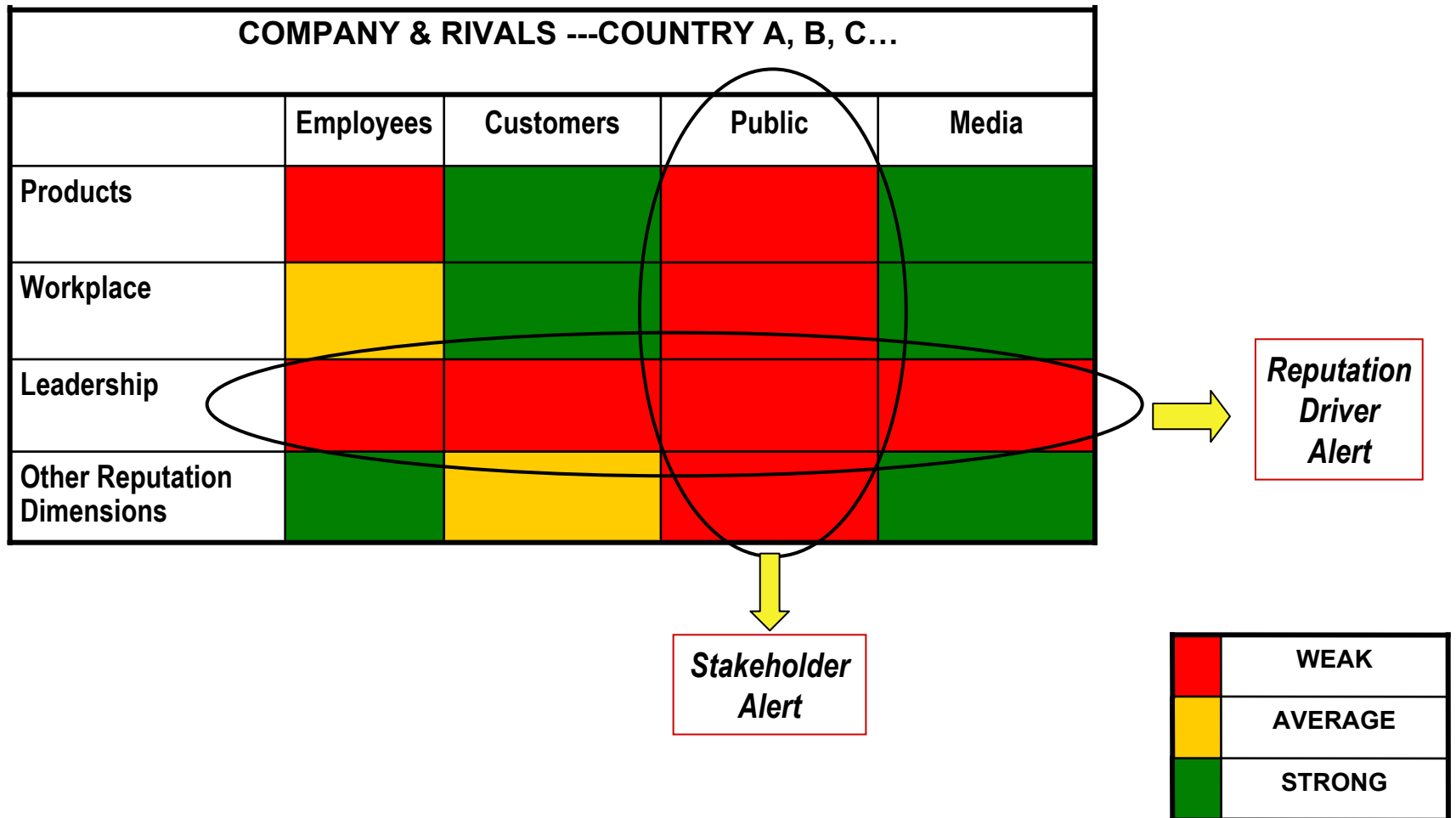


The DaimlerChrysler Platform

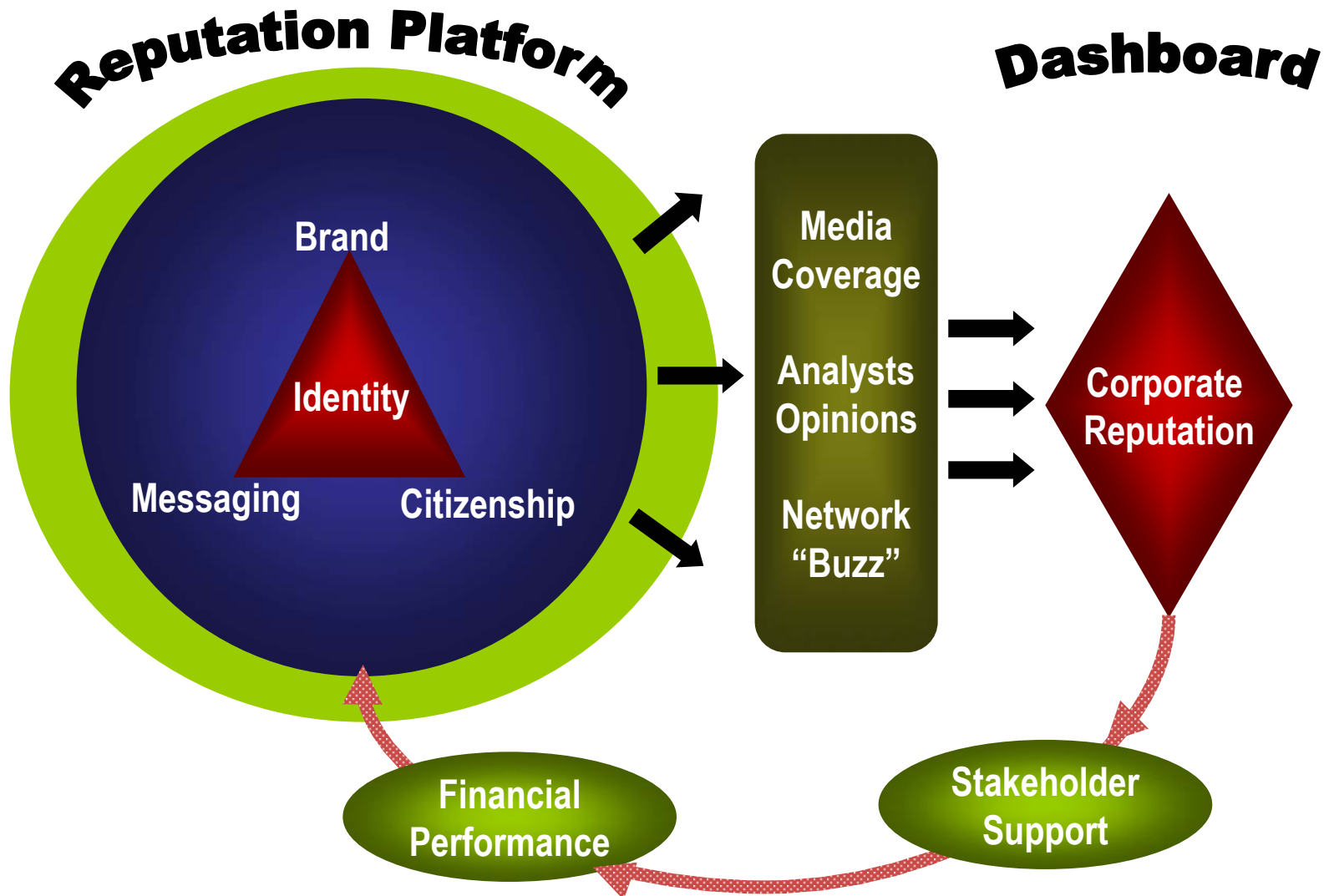


Track Effectiveness with a Reputation Dashboard

Real-Time Continuous Measurement



Reputation Platform Links Brand and Value



Summary: Key Tools for Reputation Management



- 1. Reputation Scorecards:** Validated measurement instruments against which to benchmark a company against key rivals
- 2. Reputation Dashboards:** Integrated, real-time or periodic online systems for tracking a company's reputation internationally, both with media and with consumers
- 3. Reputation Platforms:** Grounded initiatives that can close perception gaps and capitalize on opportunities to strengthen a company's reputation with its internal and external stakeholders