



What Price Reputation? Changing Corporate Reputation Dynamics in a Post-Crisis World

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***May your enemies live in
interesting times...***

**“My administration is the only thing between
you and the pitchforks.”**

***US President Barack Obama to bank CEOs,
April 3, 2009***

So much for Milton Friedman...

49%, eg, less than half, of U.S. respondents to the 2009 Edelman Trust Barometer survey say the free market should be allowed to function independently.



Hard to Find the Silver Lining in This Cloud

Across 20 countries, trust in business down 62% v 2008
Fortune magazine

Americans' trust in business down in 13 of 15 industries.
Better Business Bureau

Americans' trust in business hits ten year low.

17% trust CEOs; 29% trust info provided by CEOs ('08-36%). 13% trust advertising ('08 – 20%).
Edelman Trust Barometer

88%: corporate reputation “not good” or “terrible.”
Harris Interactive

Impact on Financials

- **Bid for Madoff Trading Unit is \$15 million,** “Based on trading volume, valuation experts had estimated the business might bring \$200 million to \$400 million, a figure they said was depressed by the stain his fraud had left on its reputation.” *New York Times, 3/28/09*
- **AIG receives low bids for aircraft leasing business,** “The three bids under \$5 billion may be considered low given ILFC’s book value of \$7.5 billion but they reflect the industry’s uncertain outlook.” *RTT News 4/27/09*



2007 – 2009 MOST RESPECTED CO.s



A survey of institutional investors regarding the attributes that contribute to a company's reputation

	<u>07</u>	<u>09</u>
Strong Management	32 %	27%*
Sound Business Strategy	25	27
Ethical Business Practices	21	20
A Competitive Edge	9	10
Consistent Revenue, Profit Growth	6	0

* % who pick each factor as most important



FORTUNE Magazine

Most Admired Companies

Primary factors driving selection of Fortune's Most Admired:

2008

Innovation

Leadership

Financial Strength

2009

Strong, stable strategy

Global talent

Leadership

No statistically significant performance difference in organizational structure.

Different Data From Growing Economies

- Trust in business has *increased* in some BRIC countries;

Brazil	61% (08)	69% (09)
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China	54%	71%
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Why does this matter?

Increasing power of services; increased local competition

iC  **Recent Surveys on Corporate Reputation Factors**

Intellectual Capital for Communities
in the Knowledge Economy

Results of recent client stakeholder surveys including clients, business partners, employees, lenders/investors

Construction/Real Estate

Ethics

Trustworthiness

Performance

Collaboration

Service/Client Experience

Health Care

Service Level

Staff

Quality of Care

Outcomes

Facilities/Tech

Emerging Factors in Post-Recession



Corporate Reputation

Intellectual Capital for Communities
in the Knowledge Economy

- Quality
- Treatment of Employees
- ***Trust***
- ***Transparency***
- Financial prospects
- Job Creation
- Corporate social responsibility
- Innovation

Trends in Disclosure

Common Practice

Communication

One way communication
Single co. progress report
Public relations
Voluntary reporting

Standards

Verification as option
Inputs and outputs
Ad hoc standards
Corporate boundary definition

Emerging Trend

Communication

Multi-stakeholder dialogue
Industry benchmarking
More Corporate Governance
Mandatory reporting

Standards

Assurance
Models/strategy
Global standards
Dialogue set definition

Implications; What Does It Mean?

- *Respondents in all surveys reflecting loss of confidence in experts, expertise, institutions*
- Control (greater need for personal control given relative helplessness in face of economic crisis)
- Fairness
- Greater reliance on self, family and friends
- Distrust of experts and information
- Shaken faith in projections

.Focus on Social Media Reputation Impact



Some Context; Social Media Penetration

Europe 36% of total population

Asia 11%

US 48%

US - 52% women, 45% men

Women +40; fastest growth segment

US – 20 million bloggers, 2 million paid

450,000 make primary living blogging

> firemen or computer programmers

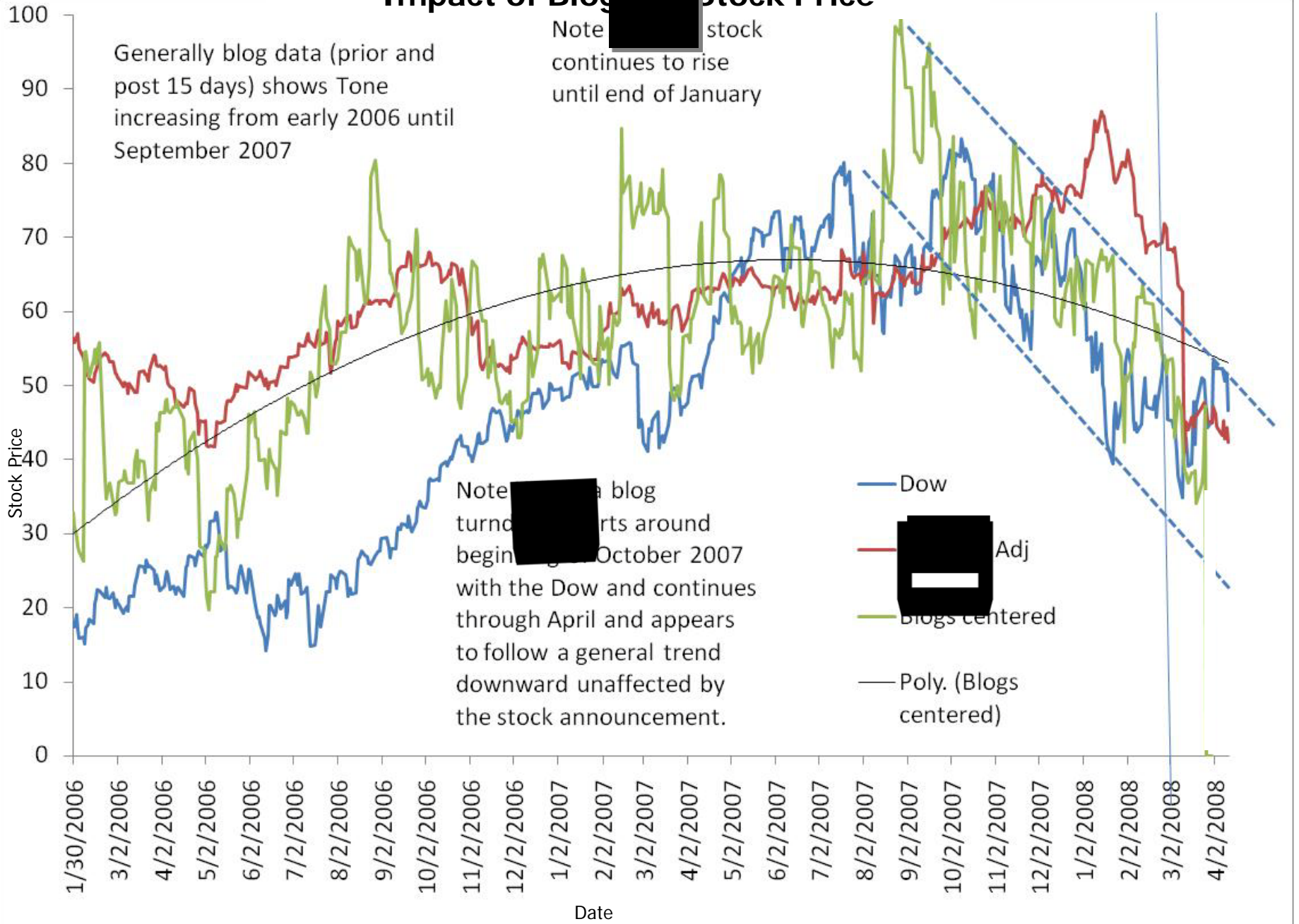


Measuring the Impact of Social Media; Media Coverage Impacts Market Value and Public Perceptions

Date	Stock	Shares	Market Value
10/30/2007	\$76.18	170051	\$12,954,485
3/31/2008	\$44.86	170051	\$7,628,488

The company's downward revision of its projected earnings per share (1Q08) led to negative media coverage, which in turn drove market value downward. This occurred despite a concurrent increase in the CPI and increase in the DJIA, and demonstrates how negative coverage of a single "bad" event can have a huge impact on business outcomes.

Impact of Blogs on Stock Price





Blogs correlate .63 with Dow and only .35 with Stock

Impact of Blogs on Stock Price

— Dow

— Blogs centered

Impacts from Social Media Message Analysis

Impact on stock price:

- Blog messages contributed approximately \$2.77 to stock price on an average day

Impact on market value:

- Blog messages contributed approximately \$471 million to average quarterly market value



Interim Conclusion; Media Coverage Drives Social Media Messaging

In the analysis of June 2008, media coverage continues to drive blog messages, not vice-versa.

Media messages continue to have a greater impact on market value than blog messages