



**REPUTATION**  
INSTITUTE

# Building Winning Reputations

*Improving the measurement and management  
of corporate intangibles*

In Collaboration with:



Berlin, Germany

22 November 2004

[www.reputationinstitute.com](http://www.reputationinstitute.com)

Media Partners:

**THE WALL STREET JOURNAL.**

**Handelsblatt**  
WIRTSCHAFTS- UND FINANZZEITUNG

Hosted by:







## Program

- |               |  |
|---------------|--|
| 09.30 – 10.00 | Registration and Tea & Coffee  |
| 10.00 – 10.30 | Welcome to the RI's Reputation Forum<br>Joachim Schwalbach, Humboldt-University Berlin<br>Klaus-Peter Wiedmann, U. of Hannover – RI Germany<br>Charles Fombrun, Reputation Institute |
| 10.30 – 11.00 | Growing Concerns about Corporate Reputations<br>Cees B.M. van Riel, Erasmus University & RI  |
| 11.00 – 11.30 | Measuring Corporate Reputations: The Annual RQ Project<br>Robert Fronk, Harris Interactive   |
| 11.30 – 12.00 | Coffee break   |
| 12.00 – 12.30 | The RQ 2004 Edition: Who's Tops and Who's Not?<br>Ron Alsop, The Wall Street Journal   |
| 12.30 – 13.00 | Making Sense of the Results<br>Discussion  |
| 13.00         | Closing Comments<br>Charles Fombrun, RI<br>Joachim Schwalbach, Humboldt-University Berlin  |



# Public Opinion: What Should Companies Be Responsible For?

	 UK 2004	 France 2004	 Germany 2004	 U.S. 2004
Only Generate profits for shareholders	2%	4%	4%	2%
Responsibility to shareholders AND employees and customers	40%	43%	42%	52%
Shareholders, employees, customers, plus broad social responsibility	57%	53%	54%	46%

Source: Harris Interactive & Reputation Institute, November 2004



# Corporate Reputations are *Perceptions*...

**Expectations by:**

- *Customers*
- *Investors*
- *Employees*
- *Suppliers*
- *Public*
- *Analysts*
- *Media*
- *Regulators*

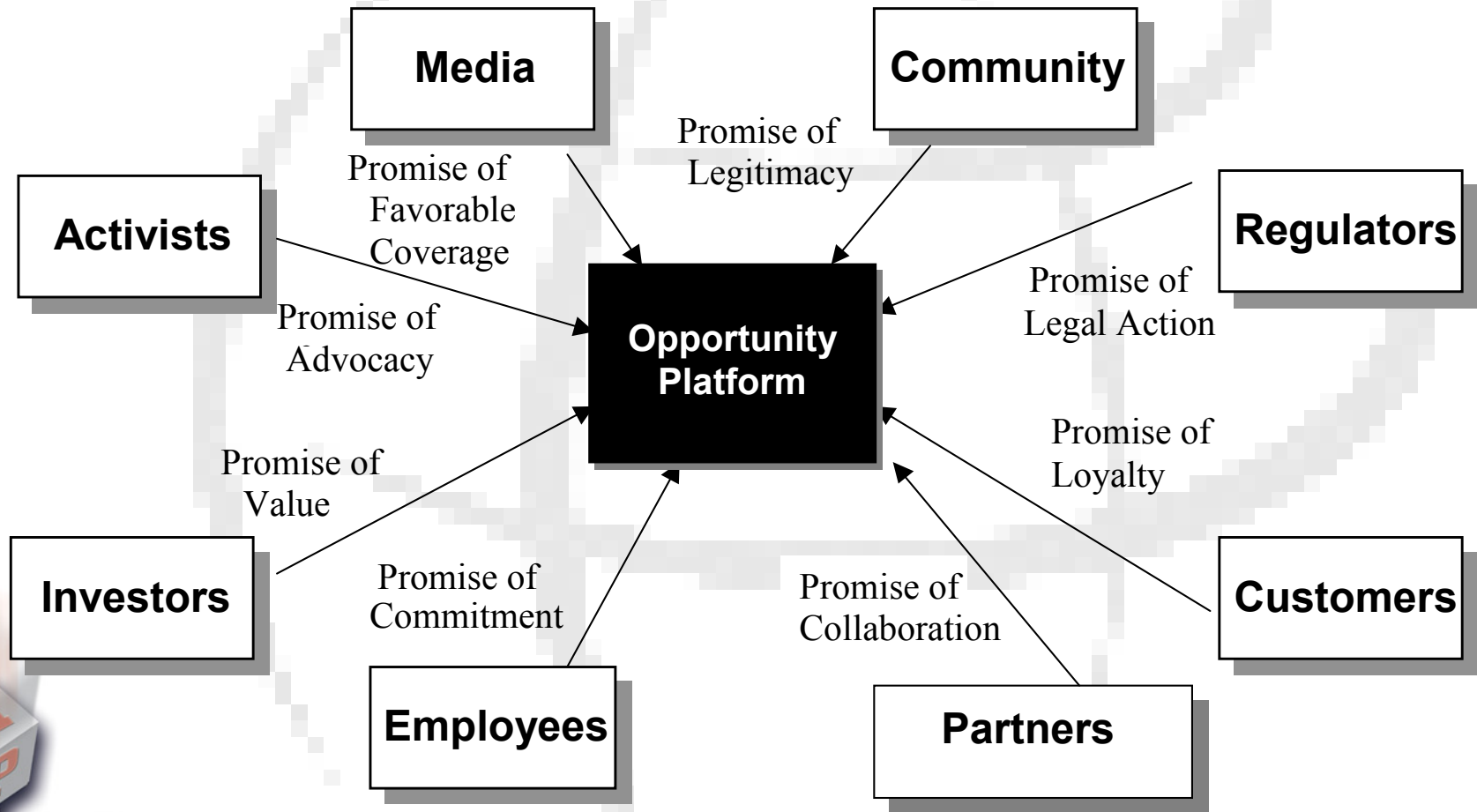
**About a company's:**



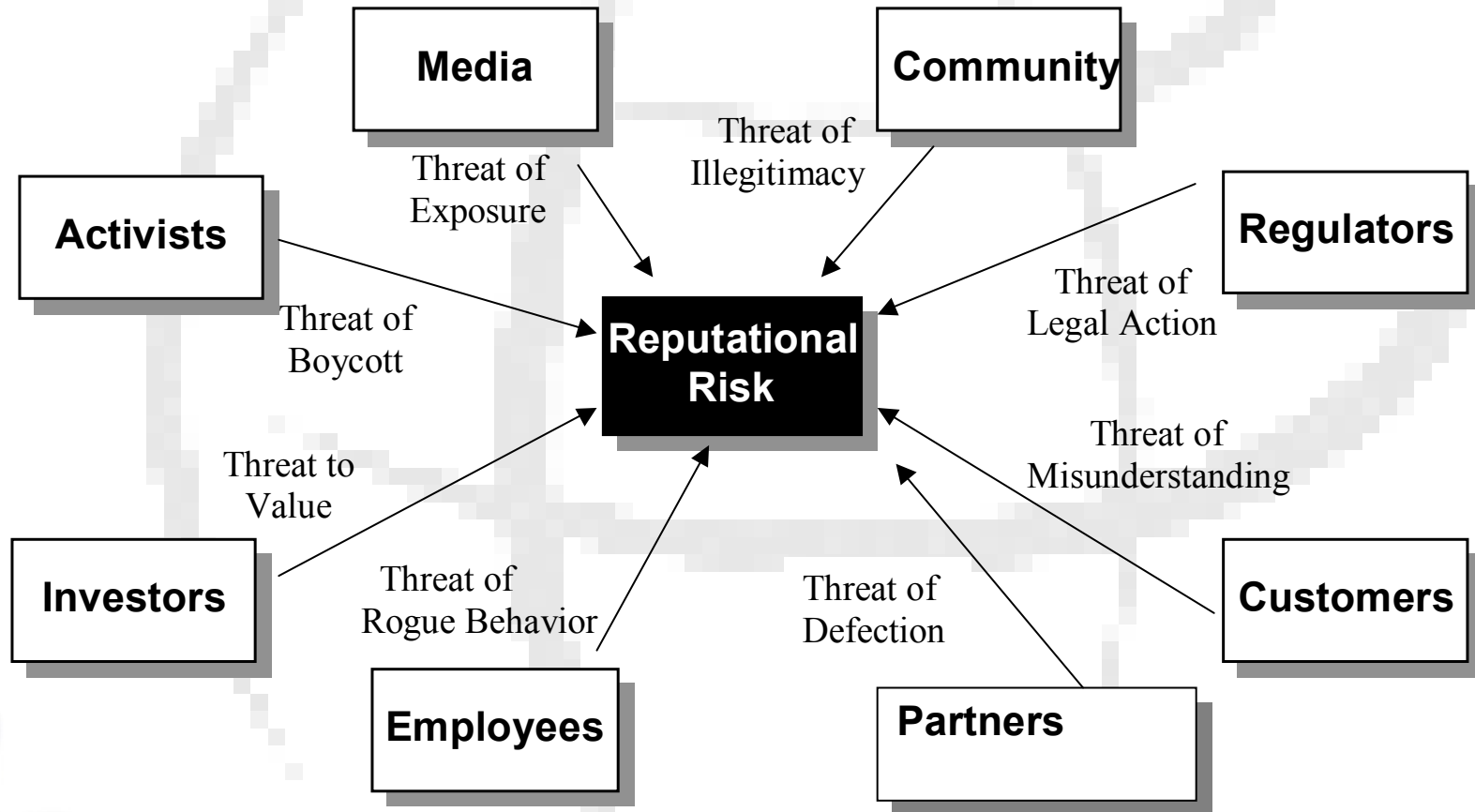
**Performance  
Products  
Services  
Activities  
Employees  
Organization**



# Companies are trying to capitalize on the upside potential for reputation gains with stakeholders



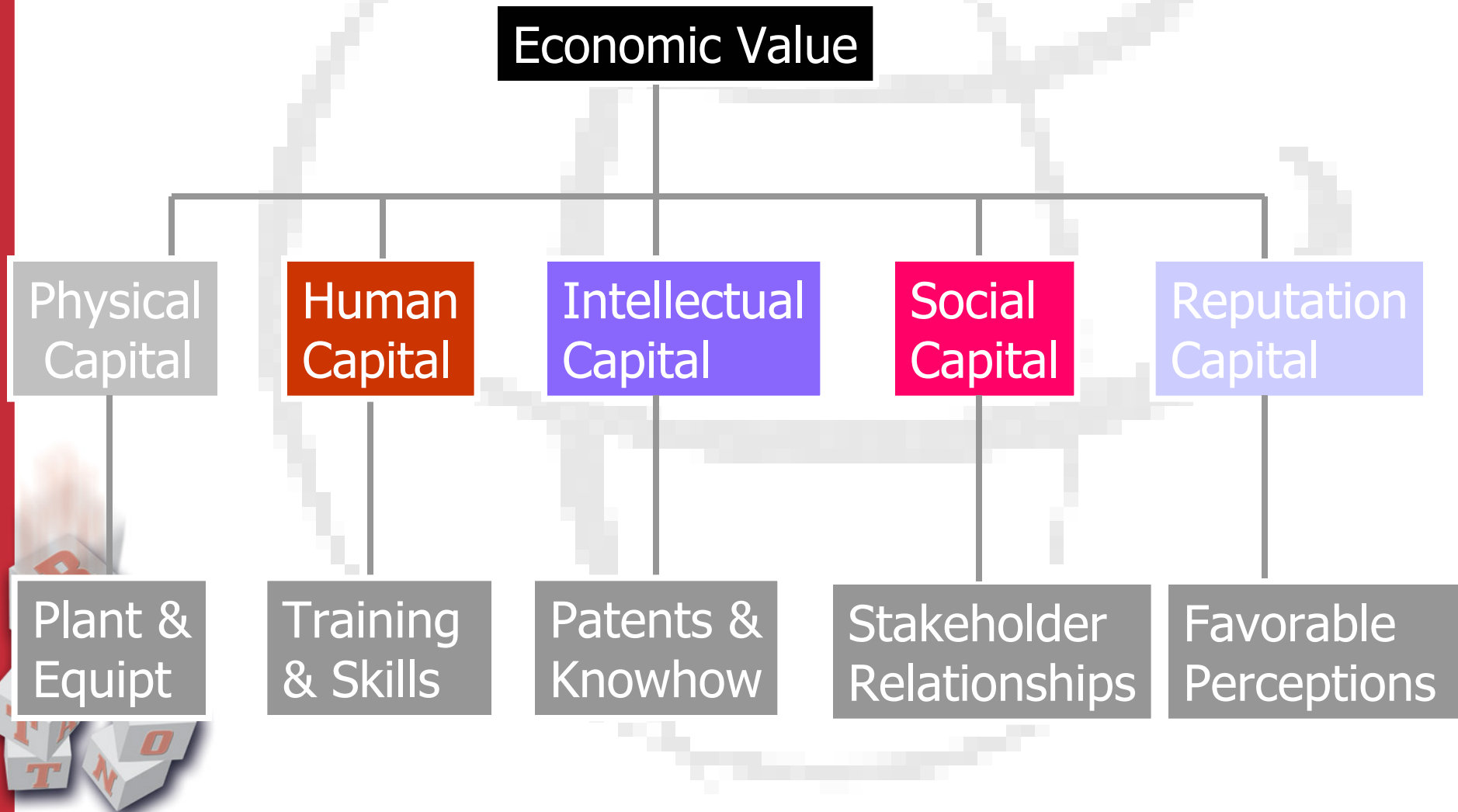
# Stakeholder Perceptions: The *downside risk* of reputation loss



# Need a Good Barometer to Measure & Track Slow Changing Conditions



# We Must Recognize New Forms of Value Creation...



# Estimates of the Market Value of Intangible Assets are High...

Intangible  
Assets

=

1982 38%

1992 62%

1998 85%

*of Market Value*

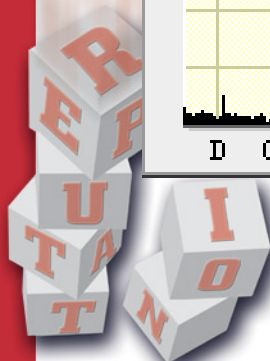
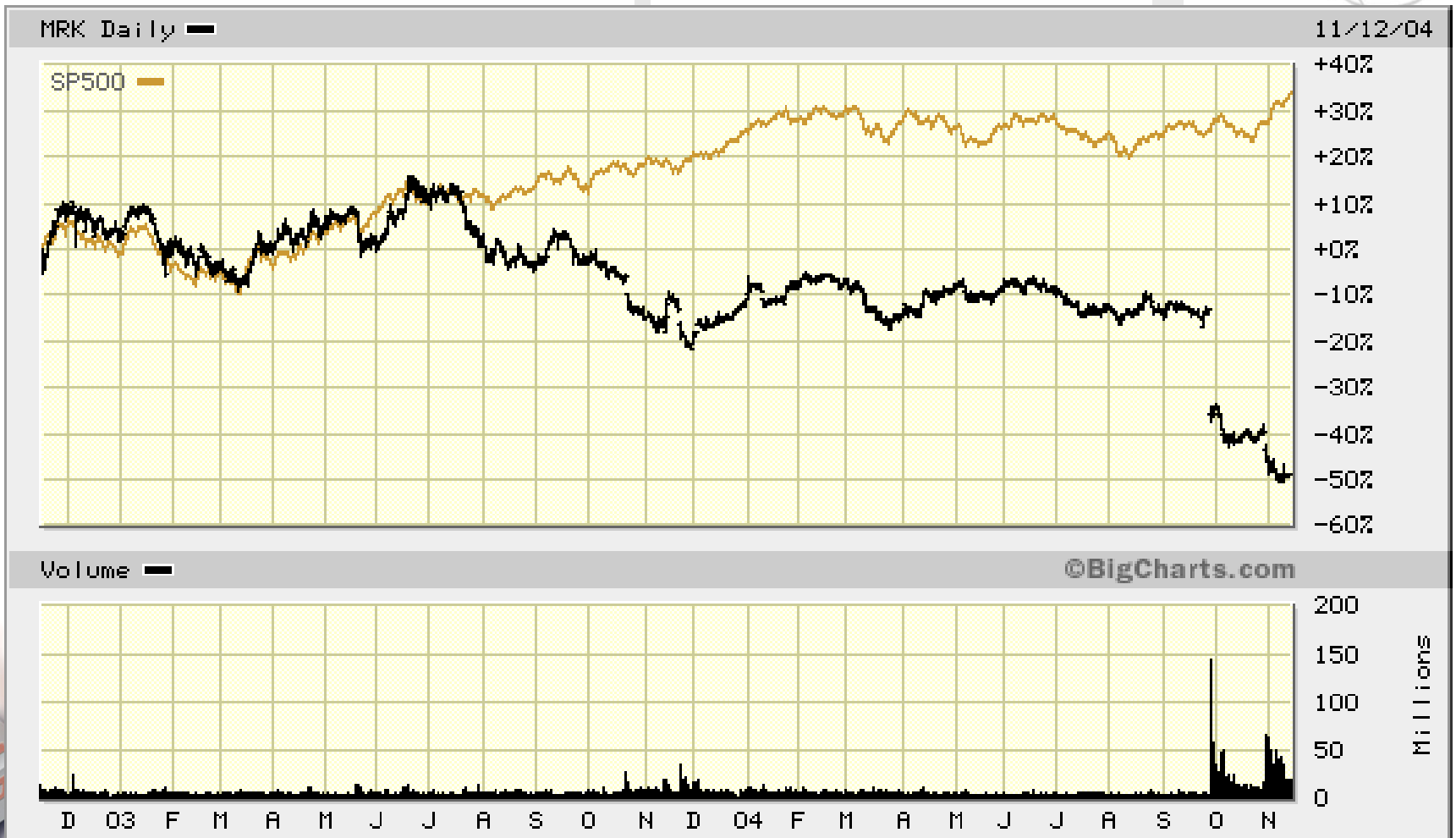
*Source: Brookings Institute, 1994; Fombrun, 1996; Lev, 2000*



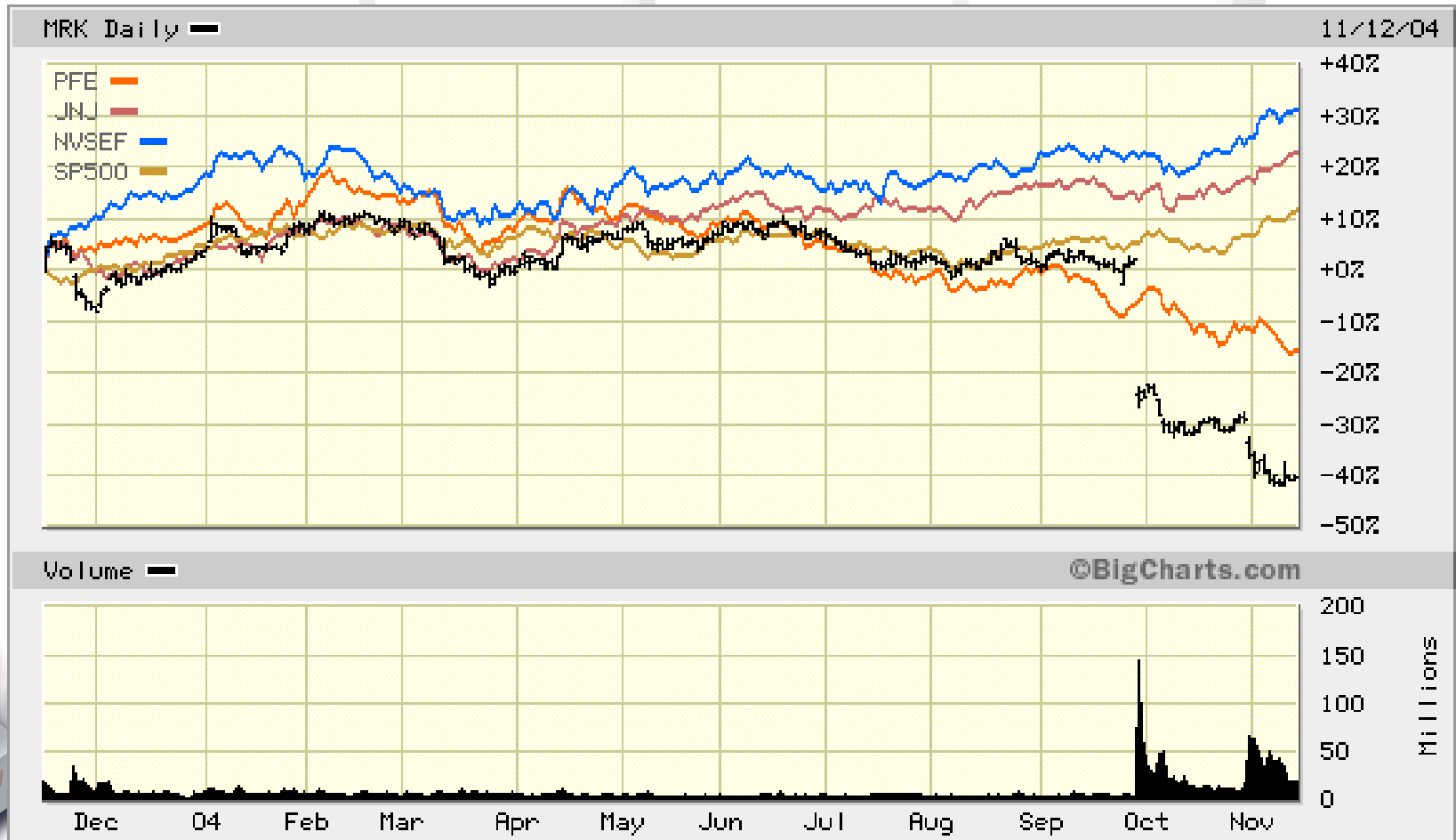
# What's Happening to Merck?



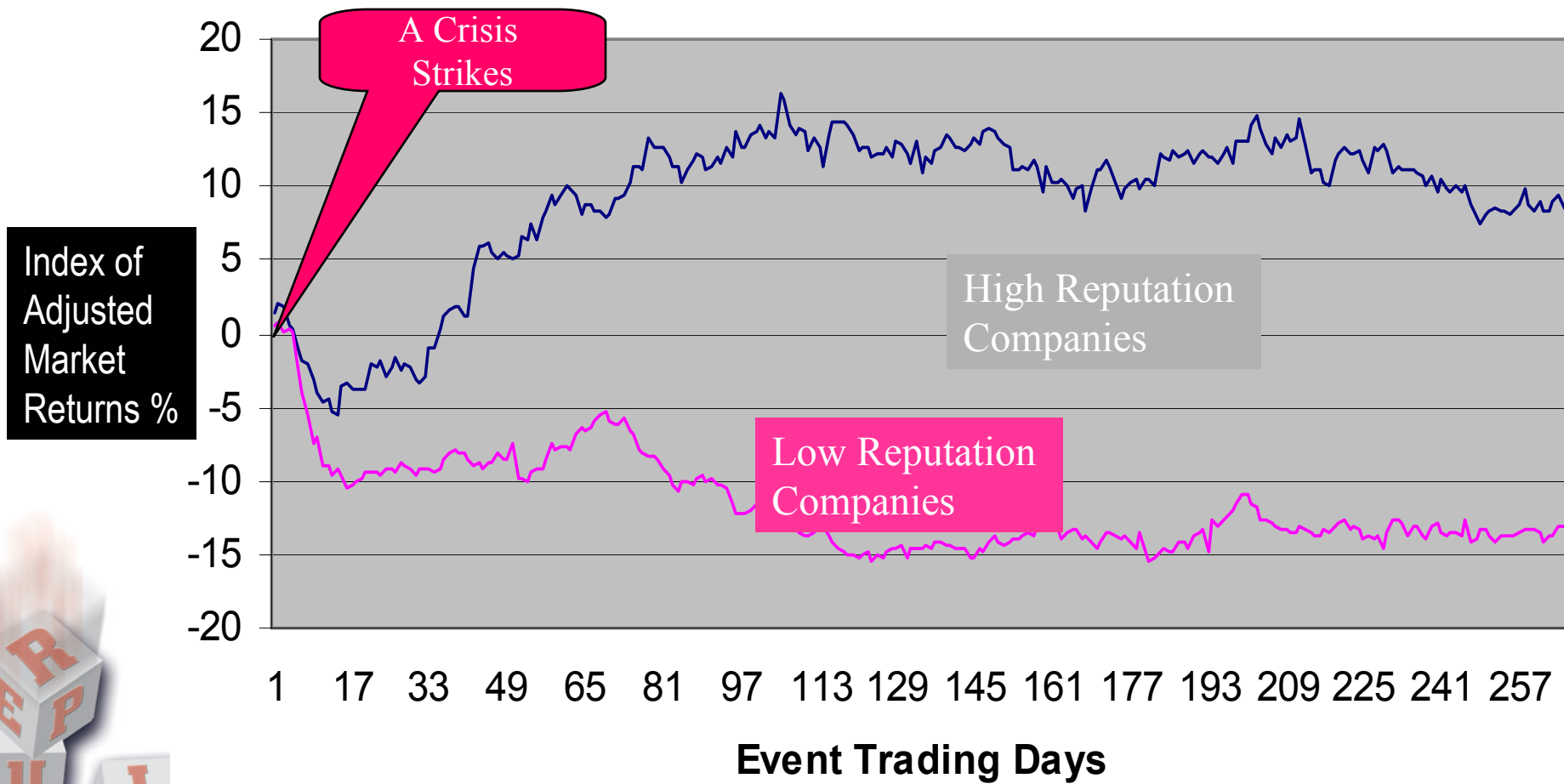
# Merck's Stock Price Sept-Dec 2003



# Pharmaceuticals Stock Price Sept 2003 - Dec 2004



# But a Strong Reputation Acts as a Cushion...

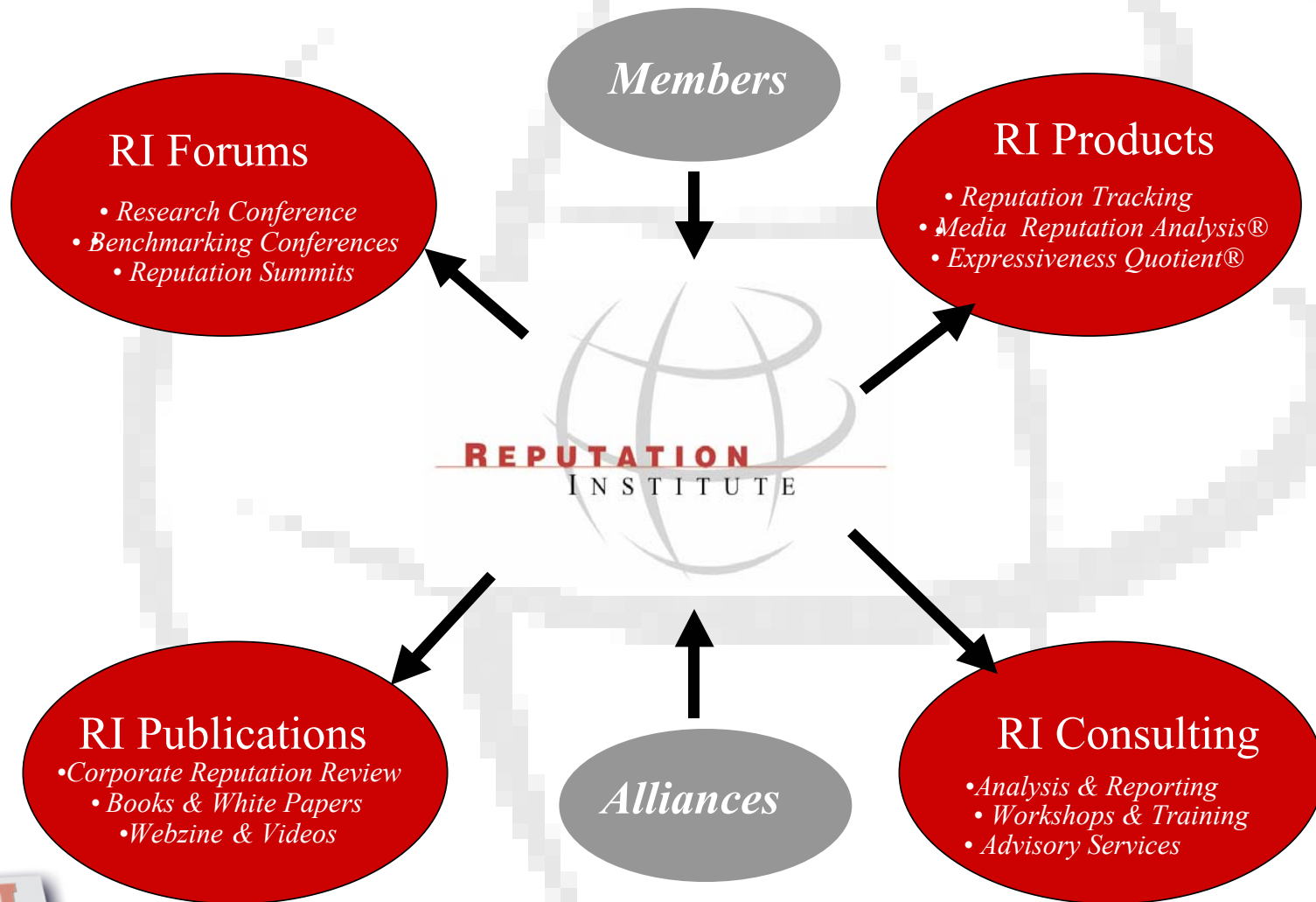


Source: D. Petty, *Corporate Reputation Review*, 2001

# RI's Reputation Barometer: Harris-Fombrun RQ

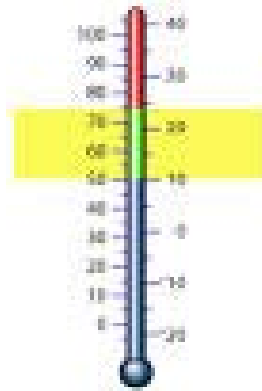


# The Reputation Institute



# The Genesis of RQ<sup>sm</sup>

**Robert Fronk**  
**Harris Interactive**





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# The RQ 2004 Edition: Who's Tops & Who's Not?

**Kasper Nielsen**  
The Reputation Institute

**Joachim Schwalbach**  
Humboldt University Berlin

**Klaus-Peter Wiedman**  
University of Hannover

**Ron Alsop**  
The Wall Street Journal



# Launching the Reputation Institute Community in Germany



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**members**

username   
password

**log in**

## Welcome to RI International.

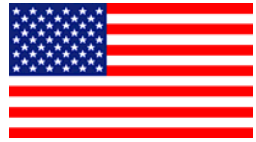
The mission of RI International is to advance knowledge about reputations, their measurement and valuation. RI International invites individuals and companies who share the RI's mission to become members of the RI. In exchange, RI members receive membership benefits. To achieve its mission, RI International carries out four types of activities: Research, Forums, Publications, and Education—all of which are made available to RI members.

In order to reach out to companies around the world, RI is actively developing an international network of RI Affiliates who provide local member companies with research and educational services. The RI currently works with local representatives and affiliates in each of the following countries.

Click on any flag below to learn more about RI in that country.



# Reputation across countries - Annual RQ Studies in More Countries



6<sup>th</sup> Annual



5<sup>th</sup> Annual



4<sup>th</sup> Annual



3<sup>rd</sup> Annual



1<sup>st</sup> Annual



# Ranking of Most Visible Companies



## Phase 1 Nominations

Identifying the “most visible”  
companies to be rated

- Telephone interviews  
(General Public)
- Companies with the best reputation
- Companies with the worst reputation
- Corporate parents only
  - *Subsidiaries included under corporate parent*

## Phase 2 RQ Ratings

Rating the “most visible” companies

- Telephone / internet interviews  
(General Public)
- The 15 most visible companies is measured
- All companies are rated on the 20 RQ attributes



# The Annual RQ 2004 — Germany



## The Corporate Reputations of the 15 Most Visible Companies in Germany



	<b>RANK</b>	<b>RQ</b>
1	Porsche	75.41
2	ALDI	75.19
3	BMW	73.18
4	Microsoft	69.99
5	Siemens	68.99
6	BASF	68.72
7	DaimlerChrysler	68.69
8	Volkswagen	68.53
9	Bayer	67.07
10	McDonald's	62.82
11	Schlecker	61.17
12	Deutsche Bank	55.47
13	Deutsche Post	54.90
14	Deutsche Telekom	52.90
15	Deutsche Bahn	45.88



# Corporate Leaders on the Six Reputational Dimensions

Germany



## Emotional Appeal

1. Porsche	78.86
2. ALDI	77.49
3. BMW	75.20

## Financial Performance

1. ALDI	79.47
2. Porsche	78.76
3. Microsoft	74.86

## Products & Services

1. ALDI	79.92
2. Siemens	73.48
3. BASF	72.75

## Social Responsibility

1. Volkswagen	66.88
2. BMW	65.94
3. DaimlerChrysler	64.18
3. Porsche	64.18

## Vision & Leadership

1. ALDI	81.52
2. Porsche	78.87
3. Microsoft	78.57

## Workplace Environment

1. Porsche	78.23
2. BMW	75.14
3. Volkswagen	72.93

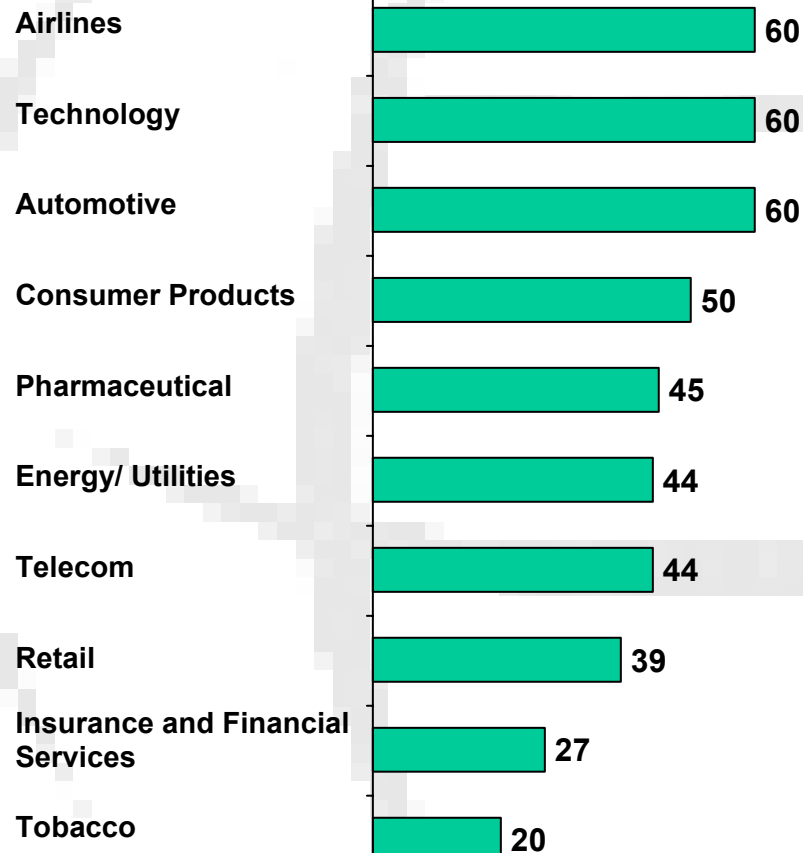
Base: Familiar with [COMPANY]



# Reputation of Industries in Germany

Industry

% Positive



**BEST REPUTATION**



**WORST REPUTATION**



# Some Observations on RQ Germany

- **German Public thinks Highly of Auto Companies**
- **Good deals are appreciated**
- **Being top of mind does not mean being well-regarded.**
- **Social Responsibility is an important ingredient for reputation building, but it has to be carefully managed**
- **It's not enough to be well regarded on a single dimension –communicating the full RQ-Mix is crucial.**



# Yesterday's News...

THE WALL STREET JOURNAL.  
THE WALL STREET JOURNAL EUROPE.



# The Annual RQ 2004 — United Kingdom



The Corporate Reputations of the 15 Most Visible Companies in the UK



	<b>RANK</b>	<b>RQ</b>
1	Virgin Group	77.18
2	Sony	76.12
3	The Body Shop	74.37
4	Microsoft	74.11
5	Tesco	72.84
6	John Lewis Partnership	72.40
7	Wal-Mart	69.25
8	J. Sainsbury	67.54
9	United Co-op	64.62
10	British Airways	62.74
11	Marks & Spencer Group	62.11
12	BT (British Telecom)	59.58
13	Royal Dutch Shell	58.06
14	Centrica	56.86
15	McDonald's	56.20



# The Annual RQ 2004 — France



## The Corporate Reputations of the 15 Most Visible Companies in France



	<b>RANK</b>	<b>RQ</b>
1	L'OREAL	76.14
2	Danone	73.51
3	Microsoft	69.76
4	PSA Peugeot Citroen	69.24
5	Carrefour	68.19
6	EDF	67.52
7	Renault	67.27
8	Air France	64.36
9	La Poste	61.05
10	Total	59.22
11	McDonald's	58.94
12	SNCF	58.37
13	France Telecom	54.16
14	Credit Lyonnais	46.45
15	Vivendi	43.36



# The Annual RQ 2004 — USA

## The Corporate Reputations of the 60 Most Visible Companies



Rank 1 - 15	RQ	Rank 16 - 30	RQ	Rank 31 - 45	RQ	Rank 46 - 60	RQ
1. Johnson & Johnson	79.81	16. The Walt Disney Company	74.03	31. Sears, Roebuck, and Co.	70.06	46. Gateway	62.27
2. 3M Company	79.07	17. Starbucks Corporation	73.68	32. Best Buy Co.	69.15	47. Chevron Texaco Corporation*	62.22
3. The Coca-Cola Company	78.90	18. Target Corporation	73.25	33. McDonald's	68.56	48. Altria Group	60.58
4. The Procter & Gamble Company	78.26	19. Anheuser-Busch Companies	73.17	34. Apple Computer	68.26	49. AT&T Corporation	60.23
5. United Parcel Service (UPS)	78.24	20. Hewlett-Packard/Compaq	73.16	35. General Motors Corporation	68.18	50. AMR Corporation (American Airlines)	60.13
6. Microsoft Corporation	78.00	21. Southwest Airlines	73.08	36. Verizon Communications	67.71	51. Sprint Corporation	59.63
7. Sony Corporation	77.95	22. General Electric Company	72.66	37. J.C. Penney Company	67.56	52. Tyco International, Ltd.	59.35
8. FedEx Corporation	77.49	23. Unilever (Parent of Ben and Jerry's)	72.55	38. Ford Motor Company	65.64	53. Martha Stewart Living Omnimedia	58.36
9. General Mills	77.42	24. Pepsico	72.54	39. Daimler Chrysler	65.21	54. Bridgestone Corporation* (Parent of Brigestone/Firestone)	58.08
10. Honda Motor Co.	76.15	25. IBM Corporation	71.77	40. SBC Communications	65.05	55. Alticor* (Parent of Amway)	54.63
11. Intel Corporation	76.10	26. Pfizer	70.97	41. Citigroup Incorporated*	64.10	56. Adelphia Communications Corporation*	52.61
12. Dell Computer Corporation	76.00	27. Nike	70.57	42. Time Warner Inc.	63.89	57. Kmart Corporation	51.06
13. Toyota Motor Corporation	75.59	28. Wal-Mart Stores	70.56	43. Bank of America Corporation	63.56	58. Halliburton Company	50.25
14. Lowe's*	75.43	29. American Express Company*	70.47	44. ExxonMobil Corporation	63.09	59. MCI (formerly Worldcom)	43.53
15. Home Depot	74.77	30. The Boeing Company	70.40	45. Allstate Corporation*	62.46	60. Enron	29.03

# Microsoft v. McDonald's





**Microsoft**



RQ	Rank	RQ	Rank
69.99	#4	62.82	#10
74.11	#4	56.20	#15
69.76	#3	58.94	#11
78.00	#6	68.56	#33



# Current State of Corporate Reputation

	 UK	 Germany	 France	 USA
Great/Good-Solid	58%	51%	42%	32%
Not Good/Terrible	42%	49%	58%	68%



# Corporate Sincerity



- 1 L'Oreal
- 2 Danone
- 3 Renault

% Positive

47%  
45%  
38%

Average

28%



- 1 ALDI
- 2 Porsche
- 3 BMW

55%  
46%  
41%

31%



1. Virgin Group
2. The Body Shop
3. J. Sainsbury

55%  
53%  
42%

35%



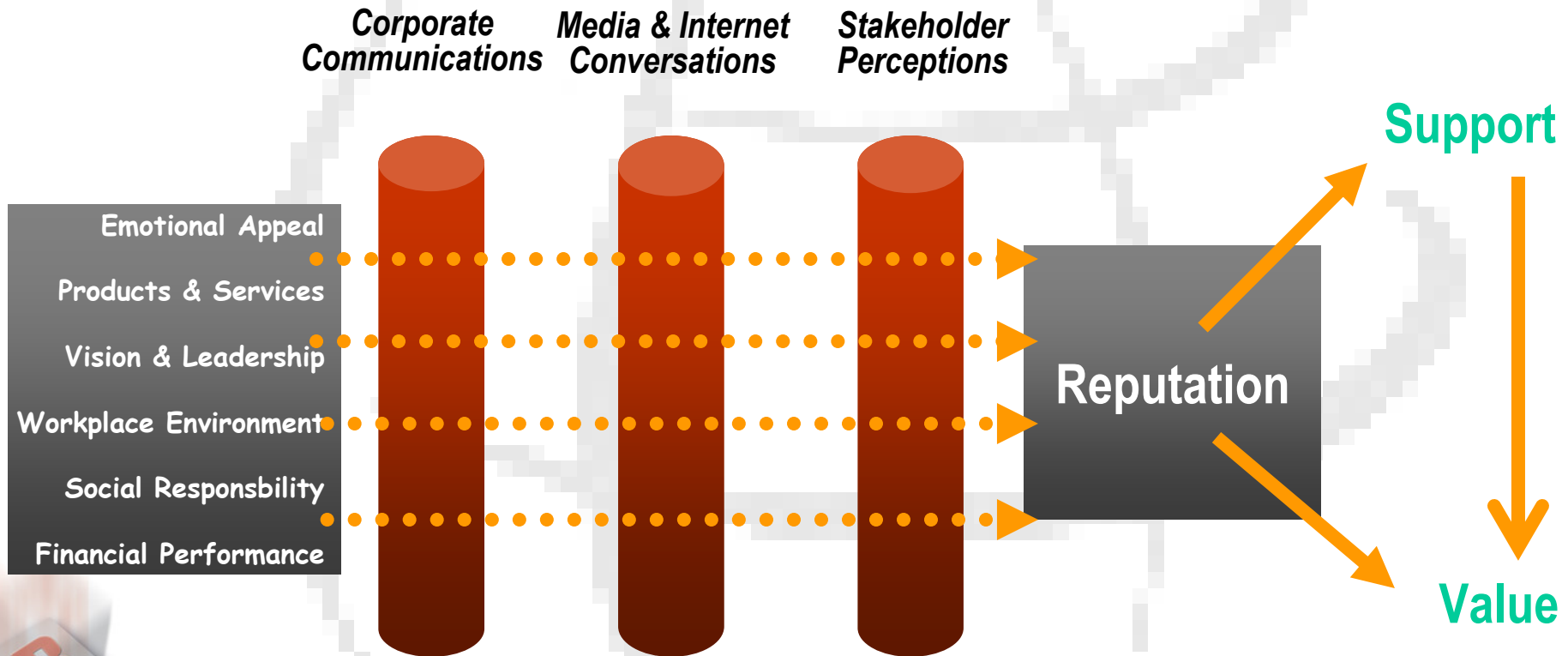
- 1 Johnson & Johnson
- 2 United Parcel Service
- 3 Coca-Cola

59%  
58%  
56%

37%



# A Continuous Tracking System is Needed to Link Corporate Communications to Reputation and Results



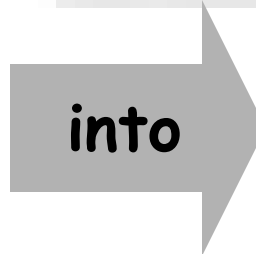
# To be Effective in Value-Creation, Companies must build Core Values into their DNA –and Communicate Them...



# From Frog to Prince...

A Corporate Reputation is an intangible asset

- ...that is created from a company's self-expressions
- ...and conferred by stakeholders
- ...whose perceptions must be monitored systematically
- ...and benchmarked in order
- ...to establish an effective reputation management process.



# About Us



REPUTATION  
INSTITUTE

## The Reputation Institute:

The Reputation Institute ([www.reputationinstitute.com](http://www.reputationinstitute.com)) is a private research and consulting organization devoted to building thought leadership about corporate reputations, their management, measurement and valuation. It brings together a global network of academics and practitioners dedicated to advancing knowledge about corporate reputations and improving the practice of reputation management. The Reputation Institute was founded by Charles J. Fombrun and Cees B.M. van Riel in 1997.

## Charles J. Fombrun:

Charles J. Fombrun is Founder and Executive Director of the Reputation Institute and Professor Emeritus of Management at the Stern School of Business, New York University. Dr. Fombrun is the author of 6 books, including the best-selling **REPUTATION: Realizing Value from the Corporate Image (Harvard Business School Publishing, 1996)** and over 100 articles, most recently he co-authored **FAME & FORTUNE: How the World's Best Companies Build Winning Reputations** (Pearson/Financial Times, 2004).

## Cees B.M. van Riel:

Cees B.M. van Riel is a professor at the Rotterdam School of Management of the Erasmus University in The Netherlands, and Managing Director of the Reputation Institute. He is also co-founder and Editor-in-Chief of the RI's *Corporate Reputation Review*. He initiated the first Executive Master of Corporate Communication Degree Program in 1998. Cees wrote **COMMUNICATION CORPORATIVA** (Prentice Hall, 1997) and is also co-author of **FAME & FORTUNE: How the World's Best Companies Build Winning Reputations** (Pearson/Financial Times, 2004)

**Reputation Institute USA**  
Worldwide Plaza  
350 West 50th Street, Suite 22-E  
New York, NY 10019  
USA  
Tel: 1.212.245.5777  
Fax: 1.212.459.0119

**Reputation Institute Europe**  
Banevingen 10  
DK-2200 Copenhagen N  
Denmark  
Tel: +45.70.25.03.13

Email : [info@reputationinstitute.com](mailto:info@reputationinstitute.com)  
<http://www.reputationinstitute.com>

