



I. THE 2011 GLOBAL REPTRAK™ 100 & “GLOCAL” REPUTATION MANAGEMENT

Companies increasingly compete for market share and mind share in all corners of the world. Having a strong and favorable reputation with consumers plays a critical role in helping a company to differentiate itself from its rivals. At the same time, consumers want to know more about the companies that stand behind the products and services that they buy. A well-respected corporate brand can signal credibility, trust, and support, which can help generate positive financial returns (see sidebar on Pulse vs. Market Value).

The 2011 Global RepTrak™ 100: The World’s Most Reputable Companies summarizes the results of a comprehensive analysis of the world’s 100 top-rated companies based on input from more than 47,000 consumers in 15 countries (see sidebar 1). For the second year in a row, Reputation Institute’s (RI) study identifies the powerhouse companies that dominate the list, and analyzes the factors that have enabled a select group of companies to consistently earn high marks from consumers. (It is a subset of a larger annual study of 2,800 companies in 41 countries, in which each company was evaluated by consumers only in its home country.)

The results of the 2011 Global RepTrak™ 100 confirm something many have already suspected: that many companies have done a very good job of building reputation capital in their home markets. The results also show that not all successful companies have effectively exported their reputation capital to other competitive markets. Consequently, this issue of *Reputation Intelligence* provides a rare glimpse into the global market positions of some of the world’s largest companies. It explains why so few companies have managed to build a large reservoir of goodwill around the world. It also shows how understanding what these successful companies have done can provide managers with valuable insight to understand the challenges they face in navigating the rough waters of the rapidly emerging “reputation economy” of the 2010s.

The Best of the Best

What makes a company truly “world class?” Across the 15 countries in the study, Google ranked as the top rated company by consumers for the second consecutive year, followed closely by Apple, The Walt Disney Company, BMW, and LEGO. Sony dropped to sixth place from its second place finish in 2010. Joining the tech-heavy ranks along with Canon and Intel, veteran automakers Daimler and Volkswagen rounded out the top 10. The 2011 Global RepTrak™ study found that nine of the top 10 companies scored well across most, if not all, of the seven reputation dimensions: Products/Services, Innovation, Workplace, Governance, Citizenship, Leadership and Financial Performance. This confirms RI’s long-held observation that world-class reputations are characterized by the breadth of their platforms, not just products and services and their resulting features and benefits. Across the 15 largest economies in the world, people increasingly care more about the enterprises behind the things they buy. Canon was the sole company in the top 10 that placed among the best of the best in only a single dimension. Consider Google and Apple, the companies on which consumers lavished the highest praise (perceptions of trust, admiration, high esteem, and good feeling). Both companies performed exceptionally well on all reputation dimensions, and each received top scores in three of these measures. Google was number one in Citizenship, Governance

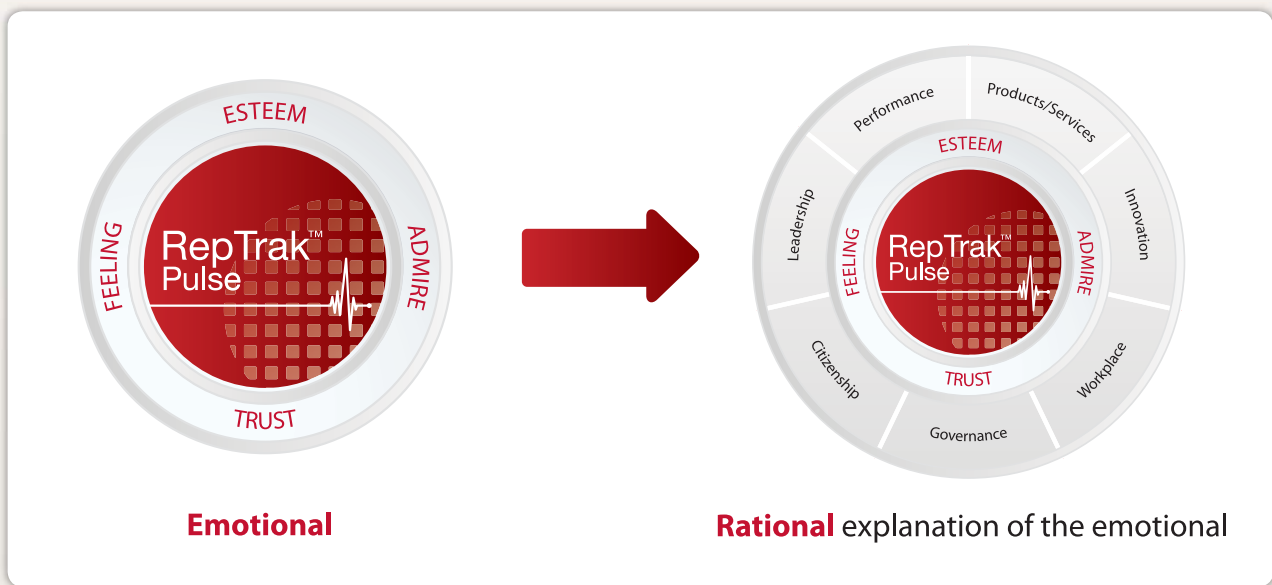


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by Reputation Institute

In 2006, Reputation Institute set out to assess the health of corporate reputations around the world. We created a proprietary tool called The RepTrak™ System. It is based on the notion that a corporate reputation develops from the emotional bond that stakeholders feel for a company or organization. The RepTrak™ Pulse measures the degree of Admiration, Trust, Good Feeling, and Overall Esteem that stakeholders hold about companies. The RepTrak™ Pulse is the beating heart of a company's reputation providing an overall assessment of the health of a company's reputation.



Extensive international fieldwork conducted using the RepTrak™ System since 2006 indicates that seven key dimensions drive corporate reputation: Products/Services, Innovation, Workplace, Governance, Citizenship, Leadership, and Performance. The RepTrak™ Model evaluates the degree to which a particular dimension affects the emotional bond between a particular stakeholder group and a company.

In The Global RepTrak™ 100 study, Reputation Institute measures not only perceptions of companies on the core RepTrak™ Pulse attributes but also asked respondents to rate the companies on the seven key dimensions. In April 2011, more than 165,000 ratings were collected from about 47,000 global consumers invited to measure 100 finalists of the World's Most Reputable Companies across 15 markets. The purpose of this study was to create an index of global companies that were both well regarded in terms of reputation in their home markets, as well as successful in managing their reputations around the world, given their global footprint. This study provides an assessment of the global reputation landscape—the companies that are most trusted, respected and admired by the public



and Workplace, while Apple was the top-ranked company in Leadership, Financial Performance, and Innovation. This suggests that these corporations are admired not only for the products they offer today, but also for the enterprises and track records they have built over time. For example, Google strives to keep its employees content with lavish benefits and is well known for supporting community initiatives and promoting transparency. Apple's consummate management team has been credited with developing some of the world's most desired consumer technology products, all of which have contributed to the firm's stellar financial performance (which allowed it to briefly overtake ExxonMobil as the world's largest company by market capitalization in August 2011, even though the energy super major has double the annual revenue!)

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Regional Favorites and Country Winners

The results vary geographically when comparing each region's top five to their global counterparts, and when making comparisons across regions:

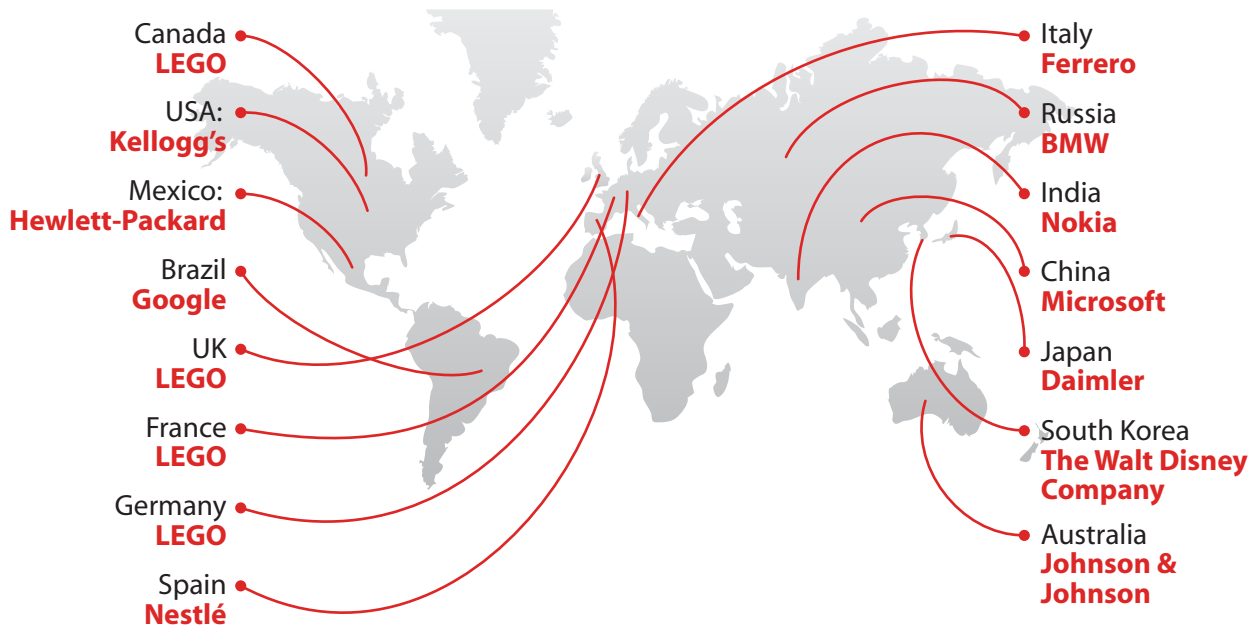
- North American consumers give top honors to Kellogg's, LEGO, Johnson & Johnson, Nintendo, and Nestlé, showing a preference for food, amusement, and consumer packaged goods. Among these five, only LEGO appears in the global top five.
- Europeans also like LEGO, awarding it the number one spot, with Google, Canon, BMW, and Sony rounding out the top five. Three of the five European choices also appear among the global top five.
- Latin America favored Google as its number one, matching the company's global standing. The region also favored Sony, Apple, Hewlett-Packard, and Nestlé, showing a 40 percent overlap with the global pacesetters.
- The Asia-Pacific region placed The Walt Disney Company at the top, with Microsoft, Daimler, Apple, and Nike following to complete the top five. Like Latin America, the Asia-Pacific region had a 40 percent overlap with the global champions.

In addition to differences based on geography, a comparison of global emerging markets versus developed country results shows interesting variations. Developed countries correlated more strongly with the global results, putting LEGO, The Walt Disney Company, Google, and Apple (which are four of the global top five) in their top five, too. Sony was the sole outlier; it achieved top-five status in the developed countries, but only a top 10 ranking globally.

With lower overlap, BMW, Google and Apple scored among the top five both globally and among emerging-market respondents. But the number one emerging-market pick, Nokia, did not even make it to the global top 10, while Intel, the #5 choice in emerging markets, scored only among the top 10 globally.



Here are the most reputable multinational companies with consumers for each of the 15 largest countries:



The Global Business Case for Strong Reputation: More Public Support

Since the mid-1990s, the “holy trinity” of supportive behavior for analyzing the impact that reputation has on business performance has focused on recommendation, saying something positive, and benefit of the doubt in a crisis. In looking at the top 20 global performers in consumer recommendation across the 15 countries, every company enjoyed a 2011 reputation score of 72 or higher on RI’s 100-point scale, signifying a strong reputation.

This is fascinating, actually, because many of these “best of the best” in recommendation had their corporate reputations put to the test in 2010-11 for various reasons, including: hacker scandals (#3 Sony, with 66.2 percent of global consumers willing to recommend); CEO transitions (#9 Apple at 62.5 percent recommend and #18 HP at 60.7 percent recommend); CSR challenges (#10 Nestlé at 61.7 percent recommend); and multiple product recalls (#12 Johnson & Johnson at 61.3 percent recommend).

At the same time, it is interesting to note that home country reputation and public support does not always translate across borders. Take Amazon.com, a customer experience juggernaut and the most reputable of the 150 largest U.S. companies in 2011 with a borderline excellent reputation (79.49) and strong public recommendation scores in the high 70s. Globally speaking across all 15 countries, Amazon’s recommendation score as part of the RepTrak™ 100 comes down to 59.9 percent, and its global reputation also places in the low 70s (73.63). This is more a function of Amazon’s local customer service and corporate narrative maturity in the U.S. compared to many global markets, where Amazon is more of a new entrant than a market leader.

While so many of the media headlines and social media buzz around corporations focuses on the so-called sinners of the reputation economy (no need to list out the companies who are in the penalty box since the 2008-09 global financial crisis), the RepTrak™ 100 companies are clearly the saints who are making their case directly to the general public—and then live to tell about it on the other side.



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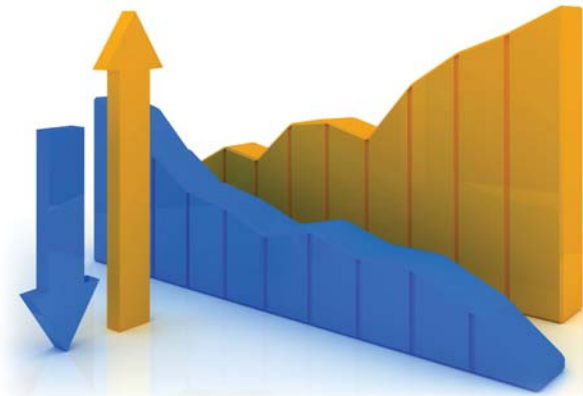
Where Country Reputations Drag a Company's Reputation Down

The intersection of emerging market country reputations and the high-flying, export-driven companies who carry the hopes and dreams of their home market to the far corners of the world is proving to be a fault line in the reputation economy, even for RepTrak™ 100 companies. Petrobras is universally regarded as the most reputable energy company in the world, but it does not enjoy near the level of public support and reputation capital outside of Brazil. Why? The energy industry has a poor reputation for transparency and leadership, and Brazil is still seen as a land of soccer, samba, and sandy beaches. But the more local stakeholders know about Petrobras (in terms of personal experience, what the company says, and what others say), the more it can increase its license to operate. Even though Brazil's country reputation is mixed at best with G-8 consumers, Petrobras has started to break through by adapting aspects of its corporate narrative to local markets while maintaining its Brazilian heritage and flavor. This “glocal” reputation platform is among the most progressive in the world, and will only come into sharper focus between now and 2014, when the eyes of the world will be on the host nation (and Petrobras and its fellow major corporate storytellers) at the FIFA World Cup.

Chinese companies suffer from many of the same challenges as Petrobras. Even though Chinese consumers are enthralled with companies such as Lenovo, Tsingtao Beer, and Haier (all strong to excellent reputation companies at home) as sources of pride for the nation, consumers in the rest of the world blur those corporate narratives with mostly negative images of China that stem from geopolitical rivalries and Western misconceptions of Chinese culture. Each company must continue to find local programs and issues that do not reinforce the Chinese essence of the company in order to improve its global reputation.

Conclusions

Global reputation management across borders in 2011 is where local reputation management with multiple stakeholders was in the late 1990s. For the RepTrak™ 100 companies, it will get harder before it gets easier, as local stakeholders know what they want from you, and they want it their way—not your way. What works in your home market will probably not work even in a neighboring country, but almost definitely not a continent away. Even the top 10 companies with the strongest corporate reputations across 15 countries are closer to the beginning of their reputation journeys than the end. Stakeholders of all shapes and sizes are more empowered than ever before, and consumers are making better-informed decisions and deciding to deal with your company—or not—based on new rules and criteria that surely did not originate from your internal definitions of what success used to look like around the corner. It is high time to get serious about addressing stakeholder expectations outside of your home market.



Going Beyond Ratios and Valuations... What's the Company's Reputation?

Investors and stock analysts often examine a wide range of different financial metrics in order to develop investment strategies and select potential stock winners. Valuations such as Price-to-Earnings, Price-to-Book, and performance measurements such as ROE and ROA are just some of the more commonly used metrics used to analyze equities. But there's one important asset that is often overlooked when evaluating a company and its potential for returns—reputation.

Having a strong corporate reputation is increasingly being viewed as one of the most important intangible assets that a company can possess because it can provide a firm with cushioning during downturns and crises. Further, a superior reputation is significant because of the positive supportive behaviors that can ultimately ensue, such as increased sales, improved employee retention, and the willingness of consumers to recommend a company. Still, in determining the actual value of having a good reputation, quantifying its impact has always been challenging.

But a recent study by Reputation Institute has found that there is indeed a link between superior financial performance and a robust reputation. Using a sample of 10 companies that comprised five of the most reputable firms and five of the least reputable companies, the analysis looked at the average price performance of the stocks over the past five years and compared it to the performance of the S&P 500 over the same period. The results indicated that the top-reputed companies delivered outstanding returns and outperformed both the S&P 500 and bottom five companies by a significant margin. In fact, a recent BusinessWeek article titled What Price Reputation? found that companies that are highly regarded are also more likely to trade at a premium.

So the next time an analyst or investor needs to evaluate a stock, rather than look at complex valuations and esoteric ratios, perhaps they should just be asking, "What's the company's reputation?"