AN EXECUTIVE VIEW OF THE DIFFERENCE BETWEEN BRAND AND REPUTATION

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This white paper explains the distinction between Brand and Reputation and provides an approach for how companies can properly measure and strengthen both aspects to build equity with key stakeholders.

"Brand is about me; Reputation is about us."

The concepts of “Brand” and “Reputation” are core to corporate communications, yet the terms are frequently confused and often used inaccurately, which can create serious problems in today’s business environment. We believe a more precise, data-driven approach to defining and measuring Brand and Reputation will not only help organizations measure their performance more reliably and identify problems and solutions earlier, it will also materially strengthen corporate messaging and impact the bottom line.

To these ends, Hill+Knowlton Strategies performed a deep, quantitative analysis on more than 150,000 recent interviews on corporate Brand and Reputation in order to arrive at robust, data-driven definitions of Brand and Reputation and explore the interaction between the two concepts. The findings are both instructive and actionable.

The data demonstrate that although often used interchangeably, Brand and Reputation are indeed separate constructs, and they speak to separate (though sometimes overlapping) audiences about different issues. Despite their differences, though, Brand and Reputation tend to be strongly correlated, meaning that both tend to move in the same direction. When we look at crises, too, *both* Brand and Reputation often drop sharply afterwards, even if the company’s Brand elements – its products and services – explicitly did *not* cause the crisis. In other words, at inflection points the marketplace does not always draw the same distinctions between Brand and Reputation that the data see over a longer time-frame.

In our view, this means that while both Brand and Reputation are important at all times, their relative value can change dramatically with circumstances, which we see as evidence for an aggressive and proactive approach to managing both.

DEFINING BRAND AND REPUTATION

Hill+Knowlton Strategies performed a series of factor analyses on seven years’ worth of surveys on the subject of corporate Brand and Reputation, across industries and among widely different audiences, including the public, companies’ customers, and their employees. The Brand and Reputation attributes for businesses in the surveys changed as the subjects and industries changed, though all covered a wide range of contact points – for instance, retail customers were asked about shopping conditions *and* sustainability, hospital patients about quality of care *and* community outreach, etc.

Exhaustive analyses of different industries, companies, and stakeholder groups examined tens of thousands of ratings of companies. For each company in each industry, the analysis produced two ‘buckets’ of related attributes that, we found, corresponded to Brand and Reputation. In some cases, certain attributes can affect both Brand and Reputation, but in this study we limited the analysis to two factors for the sake of clarity.

Generally speaking, the Brand bucket of attributes spoke to companies' products and services – things like shopping experience, expertise, and value. In other words, these attributes address the self-directed question 'What's in it for *me*?' The Reputation attributes, though, address corporate action, culture, and policy in the context of the public square – things like integrity, citizenship, and community building. These attributes address more the socially-directed question, 'What's in it for *us*?' We then looked at the underlying themes in each of the two groups and created data-driven definitions of Brand and Reputation that matched up with those themes.

Those definitions are:

→ A BRAND is the sum of perceptions, held primarily by a company's current and potential customers or clients, about a company's *specific product, service, or line of products or services*.

→ REPUTATION is the sum of perceptions about a company's *corporate actions* held by the public in the areas where the company operates.

BRAND AND REPUTATION IN THE MARKETPLACE

We found that changes in Brand and Reputation are often highly correlated (with correlation scores ranging from 60% to 90%), meaning that perceptions of both tend to move in the same direction. This is especially true among important but non-specialist audiences such as the Public and Influentials[1]. It may seem like a paradox: on the one hand, the data say there is a clear distinction between Brand and Reputation; on the other hand, key audiences can at times appear less than discriminating between the two. The underlying reality, in our view, is that Brand and Reputation are *both* critical, but their relative value can and does fluctuate – sometimes dramatically – depending on circumstances.

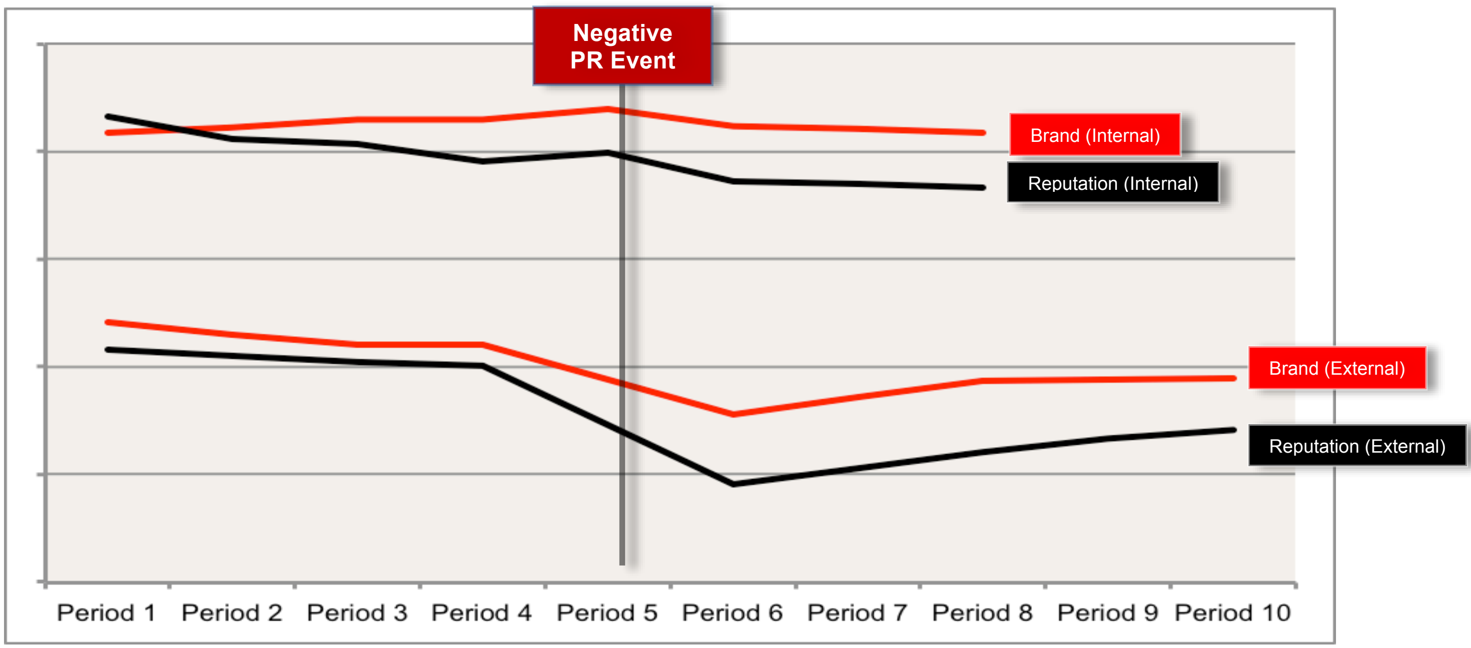
In good times, for example, a strong Brand can almost act as a substitute for Reputation. When all financial and customer-centric performance measures are going well – when a company's Brand is thriving – the Public or Client audiences may well know or care less about Reputation measures such as community engagement, job creation, or philanthropy. They may also assume that if Apple, for instance, makes great iPhones, then they are also likely making good Reputation choices. While we see some evidence that this 'aura effect' may help strong Brands to boost a company's Reputation measures, the hypothetical aura almost surely does not work backwards, from a strong Reputation into Brand – community engagement alone will not make consumers buy a company's laptop.

[1] We define Influentials as roughly the top 10% of U.S. population by socio-economic status. Influential screens include income, invested assets (ex-real-estate), community leadership, and media engagement.

The data consistently implies that Reputation matters most when crises hit, and our data show that in those cases both Brand and Reputation often drop sharply at the same time. Audiences with more intimate knowledge of a firm may experience a less severe drop in both Brand and Reputation than External Audiences.

Take the case of the oil company BP. There was a moment during the 2010 Deepwater Horizon oil-spill crisis in the Gulf of Mexico when public polling showed BP's favorability dropping sharply in the U.S., and at that point American consumers (an External Audience) might well have preferred to buy gasoline from Exxon or Sunoco or Lukoil if given a choice. All indications were that BP's gas was exactly the same both before and after the spill, but BP's Reputation was suddenly very different and its Brand suffered along with it.

Tracking Brand and Reputation
Internal and External Audiences



MEASURING BRAND AND REPUTATION

In order to manage Brand and Reputation properly, companies first need a straightforward, repeatable strategy for measuring each. Consistent measurement has several clear benefits:

- Stronger, more effective communications through increased precision
- Better management through a more accurate picture of performance
- Higher efficiency through more equity per messaging dollar spent

In our experience, the best way to measure Brand and Reputation is to begin by identifying the 10 to 12 most relevant Reputation and Brand attributes – often a helpful process in itself – and then to use that list to survey all relevant stakeholder groups about those attributes, consistently and over as long a time span as possible. Casting a wide net when thinking about stakeholders is a good idea, as contrasting perception changes among stakeholder groups can be especially illuminating. To take one example, in highly regulated industries such as energy or insurance, a change in Reputation among legislators, as a stakeholder group, can tell us something important even if Brand measurements among the public are improving.

Across hundreds of studies, we have seen the best results from a four-step process:

1. **Identify key attributes for Brand(s) –** e.g. value, shopping experience, expertise, client/patient results

2. **Identify key attributes for Reputation –** e.g. community engagement, sustainability, job creation

3. **Identify key stakeholders –** e.g. current and potential customers or clients, investors, legislators, suppliers, opinion leaders, general public

4. **Survey stakeholders regularly over time –** quarterly key-attribute surveys are optimal for most audiences. Monitoring differences in attribute ratings over time allows firms to pinpoint potential threats to Brand and Reputation. In a stable environment, less frequent monitoring may suffice while more frequent monitoring is recommended after any crisis on Brand or Reputation fronts.

After baseline research or any major internal or external event, we recommend reviewing the attributes monitored to ensure the list provides complete coverage. It will also ensure any themes that are emerging in the qualitative portions of the monitoring are included.

MANAGING BRAND AND REPUTATION

Managing Brand and Reputation entails a complex series of choices about priorities and tactics. Clearly seeing – and accurately measuring – the distinction between Brand and Reputation can help put that decision-making process on a much firmer footing.

We often see companies focus the majority of their communications resources on Brand building because, they argue, without strong products and services – without strong Brand(s) – a company has nothing at all. It's certainly both a fair and reasonable argument, but over a longer time horizon that strategy probably makes the most sense for smaller or less-mature companies. Going all-in on Brand might work for a lean start-up, for instance, where resources are scarce and the firm's survival is literally at stake every day until it gains a foothold in the market.

Once a company is more established and has a valuable Brand or Brands to protect, however, we see evidence that Reputation can serve at the very least as a valuable hedge against Brand erosion, and especially so in a crisis situation. We also see evidence that in a crisis, Reputation suffers more than Brand and takes longer to recover, suggesting that for established companies, Reputation equity is just as important to aggressively build and maintain as Brand equity is.

On the tactical side, there is a school of communications wisdom that recommends putting Brand messages on television and Reputation messages on and in primarily media-elite publications and programming such as the American Sunday morning talk shows, *The Economist,* or *Caijing*. Our analysis suggests that this approach is not necessarily wrong, though it may be incomplete. If the goal of tactics is to put the right messages in front of the right audiences, then only consistent and accurate Brand and Reputation measurement can best determine how to match up message and audience.

Our definition of Reputation, for instance, says the proper audience for Reputation messages is the Public. In that case, those messages need to go wherever the Public is paying attention, even prime-time television or popular magazines. Similarly, our definition says that Brand messages should be geared toward consumers and potential consumers; it follows that a Brand might in certain cases benefit from the sort of media-elite treatment often reserved for corporate apologies. Tactically, then, we see evidence that limiting channels to the standard choices may well also limit results.

CONCLUSION

There seems to be general agreement that Reputation is growing rapidly in importance, along with, and perhaps because of, the thriving Internet culture. However we see less agreement about exactly *when* Reputation is important – sometimes, all the time, or only after a crisis? Our analysis tells us that the relative values of Brand and Reputation can and do fluctuate among important audiences, so that one helpful way to think about Reputation is as Brand support in good times and Brand insurance in case of catastrophe.

To conclude, then, the big-picture theme we see emerging from seven years and more than 150,000 interviews worth of data is that – especially for large and established companies – proactively building and maintaining Reputation equity is as important as building and maintaining their Brands.