

***STRONG PRIOR
REPUTATION:
A HELP OR A HINDRANCE IN
REPUTATIONAL CRISES?***

Matt Tidwell, Ph.D., APR
William Allen White School of Journalism & Mass Communications
University of Kansas
2018 International Crisis and Risk Communication Conference



About the researcher

- 25 years in industry
- 2017 Ph.D. Dissertation: *“Can I offer you a gift card? An analysis of Volkswagen’s crisis response strategy in the wake of its Dieselgate scandal”*
- Currently: Program director for integrated marketing communications graduate program and member of journalism school teaching faculty at University of Kansas
- Research interests: Corporate behavior, corporate values, crisis communications

VW: A poster child for strong prior reputation



We're working to make things right.

Over the past several weeks, we've apologized to you, our loyal customers, about the 2.0L VW diesel emissions issue.

As we work tirelessly to develop a remedy, we ask for your continued patience.

In the meantime, we've providing affected TDI® owners with a \$500 Volkswagen Visa® Prepaid Loyalty Card, a \$500 Volkswagen Dealership Card, and no-charge, 24-hour Roadside Assistance for three years.* We sincerely hope you see this as a first step toward restoring your invaluable trust.

To learn if your vehicle is affected by the 2.0L TDI emissions issue, as well as how to receive this goodwill package, please visit vwdieselinfo.com and enter your VIN number.

26		IKEA	15,885	26	
27		UPS	14,470	27	
28		eBay	14,358	28	
29		Facebook	14,349	52	
30		Pampers	14,078	29	
31		VW (Volkswagen)	13,716	34	
32		Kellogg's	13,442	30	
33		HSBC The world's local bank	13,142	32	
34		Budweiser	13,024	31	
35		J.P. Morgan	12,456	33	
36		ZARA	12,126	36	
37		Canon	11,702	35	

Prior reputation: The gold standard in crisis recovery

- Prior reputation is a key determinant of a company's ability to recover from any crisis
- If prior reputation was strong, this provides a “buffer effect” in times of crisis
- Coombs (2007), Lyon & Cameron (2004), Dewar & Pillutla (2000)
- Research question for this pilot project:
 - 1] Can we see evidence that strong prior rep companies had their reputation rebound and recover after a crisis and, if so, how quickly did that happen?
 - 2] Is it possible that these companies have “farther to fall” in the eyes of stakeholders?

Crises examined: A few examples



2010 accelerator defect



2015 “Race Together” PR crisis



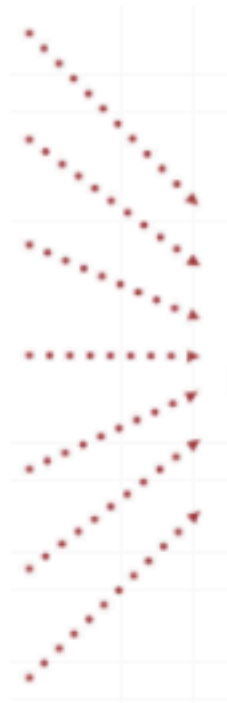
2013 customer data breach

Instruments surveyed

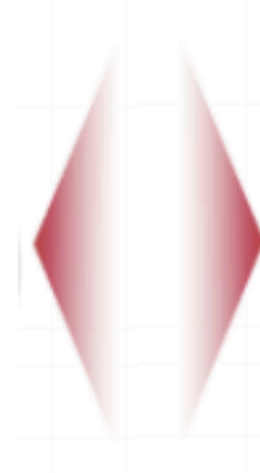
- RepTrak 100 from Reputation Institute
- Harris Reputation Quotient
- Both instruments assign a reputation score based on:
Citizenship, CSR performance, employer ranking,
likelihood to purchase, likelihood to recommend, etc.

REPTRAK® DIMENSIONS Rational Factors

- PRODUCTS & SERVICES
- INNOVATION
- WORKPLACE
- GOVERNANCE
- CITIZENSHIP
- LEADERSHIP
- PERFORMANCE

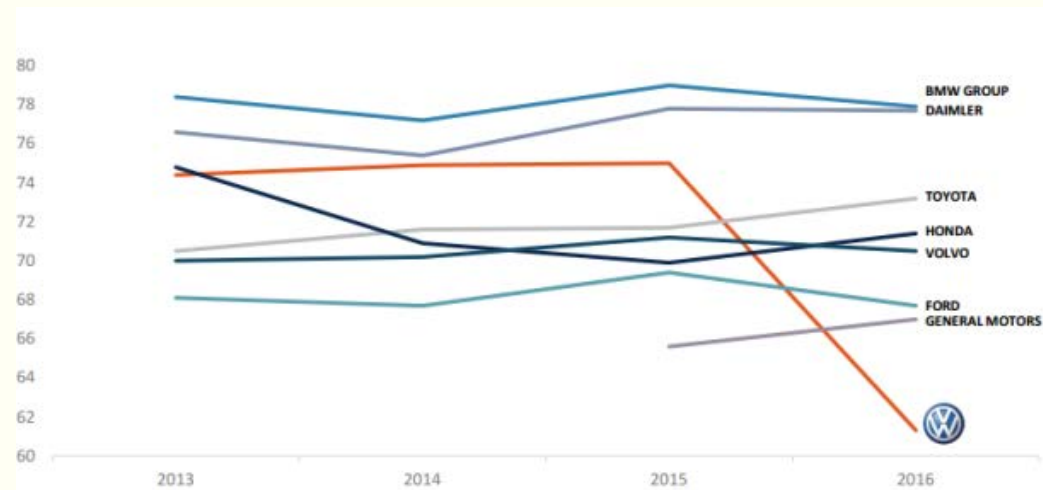


REPTRAK® PULSE Emotional Connection



SUPPORTIVE BEHAVIORS Reputation Benefits

- PURCHASE
- RECOMMEND
- CRISIS PROOF
- VERBAL SUPPORT
- INVEST
- WORK



2015 Global RepTrak® 100: The World's Most Reputable Companies (1-50)

Rank	Company	2015 RepTrak® Pulse Score	Rank	Company	2015 RepTrak® Pulse Score
1	BMW Group	73.88	28	Ultrapar	71.58
2	Alibaba	73.28	29	SKC	71.48
3	Walmart	72.95	30	Emerson	71.45
4	Wells Fargo	72.88	31	Procter & Gamble	71.35
5	USPS Group	72.70	32	Bank of America	71.30
6	The Walt Disney Company	72.55	33	United Health	71.25
7	Canon	72.44	34	3M	71.20
8	Apple	72.35	35	SBC	71.15
9	Google	72.28	36	Kellogg	71.10
10	IBM	72.20	37	Yokohama	71.05
11	Microsoft	72.11	38	Imperial Brands	71.04
12	Adidas	72.03	39	Wegmarts	71.01
13	Nike	71.95	40	Philly	71.00
14	Sabam	71.82	41	Yielder	70.98
15	Wolters Kluwer	71.80	42	USA	70.95
16	Nestle	71.68	43	EMV Group	70.90
17	Sanofi	71.60	44	Walmart	70.85
18	Johnson & Johnson	71.48	45	Woolworth	70.80
19	Boehringer	71.45	46	Baidu	70.75
20	Facebook	71.41	47	Deutsche Lufthansa	70.70
21	Yeni Haysan & Co.	71.34	48	Gap	70.65
22	Philly	71.28	49	Microsoft	70.60
23	Siemens	71.25	50	Walmart	70.55
24	Walmart	71.22			
25	Wegmarts	71.14			

80+	Excellent
75-79	Very good
70-74	Good
65-69	Fair
55-64	Poor
50-54	Very poor
<50	Critical

Consumers rate perceptions across 20 attributes, classified into six dimensions of corporate reputation

SOCIAL RESPONSIBILITY

- SUPPORTS GOOD CAUSES
- ENVIRONMENTAL RESPONSIBILITY
- COMMUNITY RESPONSIBILITY



PRODUCTS & SERVICES

- HIGH QUALITY
- INNOVATIVE
- VALUE FOR MONEY
- STANDS BEHIND



VISION & LEADERSHIP

- MARKET OPPORTUNITIES
- EXCELLENT LEADERSHIP
- CLEAR VISION FOR THE FUTURE



EMOTIONAL APPEAL

- FEEL GOOD ABOUT
- ADMIRE & RESPECT
- TRUST



CORPORATE REPUTATION

FINANCIAL PERFORMANCE

- OUTPERFORMS COMPETITORS
- RECORD OF PROFITABILITY
- LOW RISK INVESTMENT
- GROWTH PROSPECTS



WORKPLACE ENVIRONMENT

- REWARDS EMPLOYEES FAIRLY
- GOOD PLACE TO WORK
- GOOD EMPLOYEES



RQ Score = [(Sum of ratings on the 20 attributes) / (the total number of attributes answered X 7)] X 100. Maximum RQ = 100.

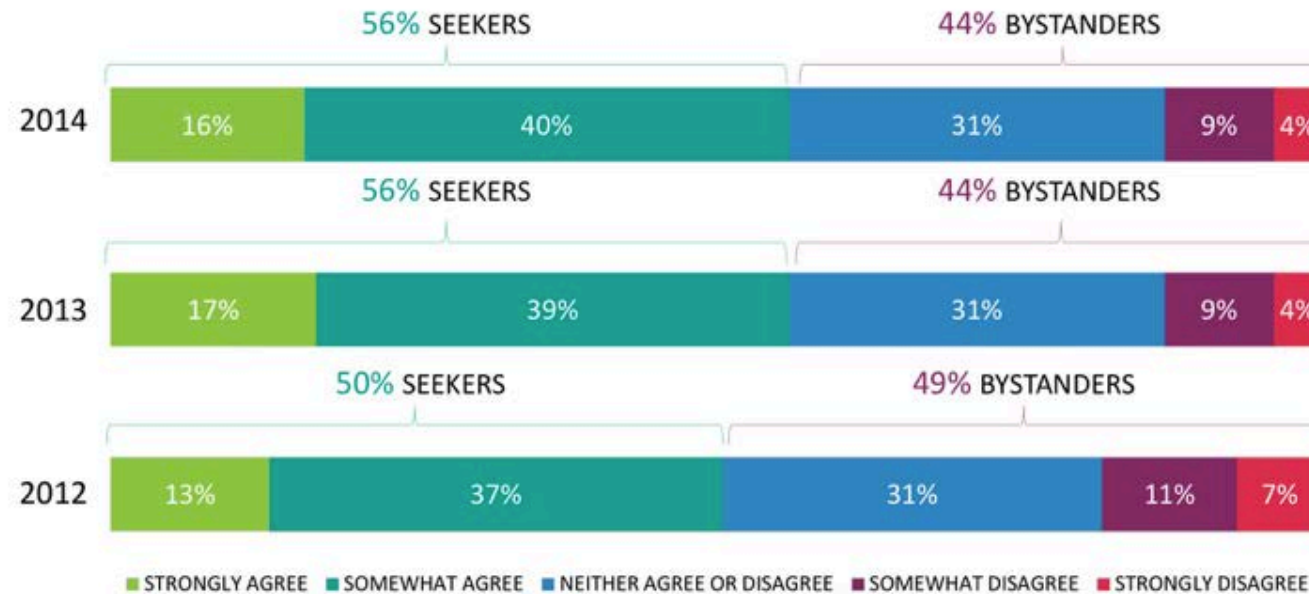
Does reputation impact consumer behavior?

Harris poll

The Seekers

American public continues to investigate corporate behavior before buying

AGREEMENT WITH: MORE SO THAN IN THE PAST, I PRO-ACTIVELY TRY TO LEARN MORE ABOUT THE COMPANIES I HEAR ABOUT OR DO BUSINESS WITH



Base: General Public (2014, n=24,432; 2013, n=14,512; 2012, n=12,961) Q1080: Now, please tell us whether you agree or disagree to each of the following statements:

HARRIS POLL REPUTATION QUOTIENT SURVEY

Measures the year:	2009	2010	2011	2012	2013	2014	2015	2016										
Year on the report title:	2010	2011	2012	2013	2014	2015	2016	2017										
Sony (Dec 2014)	78.66	80.44	79.22	78.29	79.77	79.93	77.58	76.76										Data breach in 2011, Sony Pictures in Dec. 2014
Netflix (Oct 2011)			68.12				77.98	79.86										
Starbucks (April 15)	70.73	72.05	72.97	74.82	75.12	76.32	71.67	74.07										
General Motors (Feb 2014)	53.6	60.12	65.31	64.44	67.77	63.89	66.27	67.84										
Toyota (Jan 2010)	78.21	68.25	73.53	75.59	76.81	74.01	71.5	80.21										
VW (Sept 2015)							54.75	63.46										
Target (Nov 2013)*	72.36	74.91	74.26	74.82	68.91	70.99	74.24	73.49										Ranked by Harris but not RepTrak
BP (Apr 2010)*		49.82	53.5	56.55	57	62.01	59.13	63.99										Ranked by Harris but not RepTrak

Scale: 80+, Excellent; 75-79, Very Good; 70-74, Good; 65-69, Fair; 55-64, Poor; 50-54, Very poor; <50, Critical

Companies rebounding/exceeding prior measured level	Average number of years to rebound/exceed
Netflix, GM, Toyota, VW*, BP* (62.5%)	2.6

REPUTATION INSTITUTE'S REPTRAK 100							
<i>(number in parentheses is ranking...blank field indicates unranked in that report year)</i>							
	2011	2012	2013	2014	2015	2016	2017
→ Sony (2011 and 2014)	79.05 (6)	79.31 (2)	76.30 (6)	69.2 (11)	76.49 (9)	71.5 (13)	77.74 (7)
→ Qantus (Oct 2011)*	69.66 (73)	70.05 (63)	66.57 (75)	64.1 (79)			
→ Netflix (Oct 2011)							70.35 (40)
→ Starbucks (April 15)	68.65 (79)	68.16 (83)	65.99 (80)	62.7 (97)		65.5 (89)	67.36 (95)
→ General Motors (Feb 2014)			65.85 (82)		65.59 (96)	63.6 (100)	67.28 (96)
Toyota (Jan 2010)	71.26 (60)	72.77 (37)	70.49 (37)	68.3 (16T)	71.65 (35)	68.9 (26)	73.98 (34)
VW (Sept 2015)	77.33 (10)	77.04 (8)	74.38 (13)	69.5 (7)	75.02 (14)		64.73 (100)

Ranked by RepTrak but not Harris

Companies rebounding/exceeding prior measured level	Average number of years to rebound/exceed
Sony (1 and 2), Quantus, Starbucks, GM	2.0

Observations / Future research

- Results mixed but don't conclusively show a rapid rebound to pre-crisis levels
 - 50% of Harris companies and 37.5% of RepTrak companies don't recover)
- For recovering companies, prior reputation's positive effect seems questionable (at least within first two years post-crisis)
- More historical data needed to determine a “farther fall”
- Future research:
 - Does type of company matter / composition of customers?
 - Does the response strategy of the company matter?
 - What about the effect of a stakeholder base that is more empowered and demands transparency more than ever?