STRONG PRIOR REPUTATION: A HELP OR A HINDRANCE IN REPUTATIONAL CRISSES?

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About the researcher

- 25 years in industry
- 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
WV: A poster child for strong prior reputation

Meet the Volkswagen
TDI Clean Diesel
Family.

We’re working
to make
things right.

Over the past several weeks, we’ve acknowledged to you, our loyal customers, about the 2.0L TDI diesel emissions issue.

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

In the meantime, we’re providing affected TDI owners with a $1000 Volkswagen Visit™ Prepaid Loyalty Card, a $500 Volkswagen Check Card for use in a dealer or online store, 24/7 Roadside Assistance for three years. We sincerely hope you view this as a first step toward restoring your unwavering trust.

To learn if your vehicle is affected by the 2.0L TDI emissions issue, as well as how to receive the goodwill package, please visit volkswagenusa.com and open your TDI section.
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.

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.
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

Vision & Leadership
- Market opportunities
- Excellent leadership
- Clear vision for the future

Financial Performance
- Outperforms competitors
- Record of profitability
- Low risk investment
- Growth prospects

Products & Services
- High quality
- Innovative
- Value for money
- Stands behind

Emotional Appeal
- Feel good about
- Admire & respect
- Trust

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?

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 |
|------------------|------------------|------------------|
| 2014             | 2013             | 2012             |
| 56% Seekers      | 56% Seekers      | 50% Seekers      |
| 44% Bystanders   | 44% Bystanders   | 49% Bystanders   |
| 16%              | 17%              | 13%              |
| 40%              | 39%              | 37%              |
| 31%              | 31%              | 31%              |
| 9%               | 9%               | 11%              |
| 4%               | 4%               | 7%               |

Base: General Public (2014, n=24,442; 2013, n=14,512; 2012, n=12,961) Q1008D: Now, please tell us whether you agree or disagree to each of the following statements:
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<td><strong>Measures the year:</strong></td>
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<td><strong>Year on the report title:</strong></td>
<td>2010</td>
<td>2011</td>
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<tr>
<td>Sony (Dec 2014)</td>
<td>78.66</td>
<td>80.44</td>
<td>79.22</td>
<td>78.29</td>
<td>79.77</td>
<td>79.93</td>
<td>77.58</td>
<td>76.76</td>
<td>Data breach in 2011, Sony Pictures in Dec. 2014</td>
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<td>Netflix (Oct 2011)</td>
<td></td>
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<td>68.12</td>
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<td>77.98</td>
<td>79.86</td>
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<tr>
<td>Starbucks (April 15)</td>
<td>70.73</td>
<td>72.05</td>
<td>72.97</td>
<td>74.82</td>
<td>75.12</td>
<td>76.32</td>
<td>71.67</td>
<td>74.07</td>
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<tr>
<td>General Motors (Feb 2014)</td>
<td>53.6</td>
<td>60.12</td>
<td>65.31</td>
<td>64.44</td>
<td>67.77</td>
<td>63.89</td>
<td>66.27</td>
<td>67.84</td>
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<td>Toyota (Jan 2010)</td>
<td>78.21</td>
<td>68.25</td>
<td>73.53</td>
<td>75.59</td>
<td>76.81</td>
<td>74.01</td>
<td>71.5</td>
<td>80.21</td>
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<td>VW (Sept 2015)</td>
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<td>54.75</td>
<td>63.46</td>
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<td>Target (Nov 2013)*</td>
<td>72.36</td>
<td>74.91</td>
<td>74.26</td>
<td>74.82</td>
<td>68.91</td>
<td>70.99</td>
<td>74.24</td>
<td>73.49</td>
<td>Ranked by Harris but not RepTrak</td>
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<td>BP (Apr 2010)*</td>
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<td>49.82</td>
<td>53.5</td>
<td>56.55</td>
<td>57</td>
<td>62.01</td>
<td>59.13</td>
<td>63.99</td>
<td>Ranked by Harris but not RepTrak</td>
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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
Netflix, GM, Toyota, VW*, BP* (62.5%)

### Average number of years to rebound/exceed
2.6
## REPUTATION INSTITUTE'S REPTRAK 100
*(number in parentheses is ranking...blank field indicates unranked in that report year)*

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<td>79.05 (6)</td>
<td>79.31 (2)</td>
<td>76.30 (6)</td>
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<td>69.66 (73)</td>
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<td>Netflix (Oct 2011)</td>
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<td>70.35 (40)</td>
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<td>68.65 (79)</td>
<td>68.16 (83)</td>
<td>65.99 (80)</td>
<td>62.7 (97)</td>
<td>65.5 (89)</td>
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<td>67.28 (96)</td>
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<td>65.59 (96)</td>
<td>63.6 (100)</td>
<td>67.28 (96)</td>
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<td>Toyota (Jan 2010)</td>
<td>71.26 (60)</td>
<td>72.77 (37)</td>
<td>70.49 (37)</td>
<td>68.3 (16T)</td>
<td>71.65 (35)</td>
<td>68.9 (26)</td>
<td>73.98 (34)</td>
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<td>VW (Sept 2015)</td>
<td>77.33 (10)</td>
<td>77.04 (8)</td>
<td>74.38 (13)</td>
<td>69.5 (7)</td>
<td>75.02 (14)</td>
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<td>54.73 (100)</td>
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### Companies rebounding/exceeding prior measured level

Sony (1 and 2), Quantus, Starbucks, GM

### Average number of years to rebound/exceed

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?