



Reputation Management

## Making Money In The Reputation Economy

Anthony Johndrow, 08.27.10, 10:00 AM ET

There are confusing signals about where things are headed. Front-page headlines that show once-proud institutions (like Congress or the Catholic Church) and market-leading brands (think BP or Toyota) with their reputation in tatters are contrasted with business headlines that show 70% of the S&P 500 beating analyst expectations in the first quarter of 2010. While weak consumer spending continues to hamper the recovery, first-quarter GDP was higher than expected due to increased spending on equipment and software. This is definitely a mixed bag of indicators.

For CMOs, being a brand steward facing these conflicting signals, is the ultimate balancing act. Customers and investors are no longer the only stakeholders that matter when keeping score at the board level, but they are still the most important. Morton Albaek of the Danish wind energy company Vestas perhaps sums up the gestalt of the new decade best:

*Today, we serve two and only two masters: revenue and reputation. The trick is to position your brand and build your reputation in the sweet spot between capitalism and humanism.*

Companies that are leading the reputation economy are not doing one or the other. Rather, they are able to tie both their products and services and their corporate image together in the interest of both. Let's take a look at three companies that are doing it in a synchronized way and have been able to see the whole is definitely greater than the sum of the parts.

As the world's largest enterprise software company, SAP is expected to be on the leading edge of understanding social media in terms of the commercial needs of their thousands of business customers. Under the direction of Mark Yolton, SAP has transformed its internal Web 2.0 strategy, using sites like SDN as well as tools like Jive and CubeTree to revolutionize daily employee tasks. At the same time, SAP consultants have been exploring business scenarios where tools like Twitter and LinkedIn can be integrated into SAP software at the customer site.

What's even more interesting about SAP is how it is using social media as a sustainability enabler. Their trick is that it's less about being green and more about helping their clients (companies, governments, etc.) be green by using their software-driven processes. Efficiency's value proposition becomes sustainability.

In the hypercompetitive world of consumer electronic retailing, Best Buy, a Reputation Institute client, realized that many consumers want more than just gadgets for less. By continuously listening to consumer feedback starting over a decade ago, Best Buy understood the market need to help frazzled consumers make their bright shiny home entertainment purchases work by setting them up for them. On a personal level, Best Buy's Geek Squad becomes a trusted resource at the point of sale well beyond a paper-based service contract. In today's world when most customer service departments have become outsourced and annoying, Geek Squad has humanized it and made it relevant to customer needs.

Sprint has built its recent comeback around transforming itself around translating customer needs for a simpler user experience to what Sprint stands for as a company. Complex billing and service plans and contracts have dragged down the reputations of most telecom providers in recent years, and Sprint CEO Dan Hesse has personally reoriented Sprint's branding and advertising around straight talk to address these customer needs squarely.

At a time where their two primary rivals were saturating the market with 3G coverage map claims and attacks, Sprint's "back to the future" appeal for simple plans and billing from Hesse himself is very compelling in a world where product and service features are overhyped and customer benefits are harder to come by. When Sprint posted its first increase

in overall subscriber numbers in three years last month, Hesse credited the strength of their reputation and improved purchase consideration scores as a result of Sprint's marketing efforts as the reasons for their recent success.

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Today people care more about the companies behind the products and services they buy, and all stakeholders have become painfully aware that corporate actions have wide ranging ramifications beyond their day-to-day business activities. As the resulting demand for more insight about company actions increases, the relevance of product brand-focused messages decreases. In a multi-stakeholder world the license to operate is not just a regulator's permit or a shareholder proxy vote but a strong track record of credible actions and earned trust. Equally important, with today's communication technologies, stakeholders can share their experiences, voice their opinions and exert their influence at lightning speed over a wider audience than ever before.

To succeed in this environment, companies must learn to effectively and proactively manage the relationships they depend on. Also, they need to recognize the growing importance corporate behavior has on a company's bottom line and its long-term growth. Like the "innovation economy" of the 1990s or the "risk decade" of the 2000s, the 2010s promise to be one where reputation is activated as a driving force behind markets.

Corporate reputation has already become a decisive factor in the competitive landscape--companies that mobilize who they are and what they stand for to take advantage of this shift will dominate their space for years to come. Executives who understand and act on this opportunity will emerge as the leaders of the reputation economy.

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