

Lost confidence hits the bottom line

Norwegian companies could have improved their financial performance if they had focused more on their reputations. For although the cost may be well hidden, losing public confidence is an expensive business.

By Nils M. Apeland, Director, Apeland Informasjon, Norwegian Associate of the Reputation Institute.

This summer Aftenposten reported on Telenor's so-called "win-back" programme, which aimed to win former customers back to Telenor. I myself was recently contacted by my previous insurance company and my previous burglar-alarm company, both of whom asked me to bring my custom back to them. For my part, it was too late. This kind of get-the-customer-to-trust-us-again effort is technically a step forward on the marketing front, but represents a severe blow to companies who seriously believe they are concerned about keeping their customers satisfied.

This spring Dagens Næringsliv reported that Norwegian companies are at the bottom of the list when it comes to reputation. In Reputation Institute's annual RepTrak survey, over 5,000 Norwegians were asked to say what they thought about 20 major Norwegian companies. IKEA topped the list for the second year running. Lidl came last, a hair's breadth behind SAS Braathens. 12 of the 20 companies got a lower score this year than in 2005. The best Norwegian companies whose reputations were being measured came in way behind the winners in Denmark and Sweden. A key finding of the survey was that Norwegians do not place much trust in the companies. Business and industry lacks public confidence.

Norwegian companies posted sound results, both in 2005 and in the first half of this year. Nevertheless, the lack of public confidence should worry Norwegian business executives. Surveys show that trust is a key component of a good reputation. Trust is about the relationship between us and the companies we deal with, whether as private consumers or business customers. Will they deliver as agreed? Will the salesperson help me if a problem should arise? Is this a good recommendation?

The cost of lost confidence can be difficult to spot, because it does not immediately

show up in already sizeable marketing budgets. But companies with a bad reputation have to spend more resources to win and retain customers, attract business partners and recruit new staff than companies with a strong reputation. Revenues could have been higher and costs lower if public confidence in them had been higher. With a better reputation, SAS Braathens would not have needed to dump air fares to win customers back after this spring's scandals. Telenor would not need to make so many "win-back" phone calls.

Trust is a fundamental factor in all forms of trade. Trust opens doors, builds loyalty, leads to repeat sales and personal recommendations. Without trust it is difficult to build close, long-term relations. Trust and reputation are closely linked. Companies with a poor reputation must often invest more time and money for each new sale, because customers are reluctant to tie themselves to someone they do not trust. Losing public confidence costs money.

A low level of trust also makes it easier for new players in a market. Skandiabanken's entry into the Norwegian market a few years ago is one such example, the growth of the airline Norwegian in a tight Norwegian airline market another. Price is always important, but when loyalty and confidence in the established players fall, the market is more open for newcomers.

To succeed in building trust and a good reputation, businesses must identify what is the most crucial factor for the public's confidence in them. Each company has its own reputation drivers. The most important thing for many companies is to improve the reality of the public's experience: provide better service, employ more people on the switchboard, create a better customer relations programme or improve their employees' ethical standards.

Other companies have their business practices in order, but are perceived by the market as being something else. They need to communicate better. Good market communications are not about winning advertising awards, but making yourself relevant to the target groups you are addressing. Having a message people believe in, because you keep your promises. Creating dialogue and trust.

Norwegian executives need to ask themselves: Does our company have the reputation it deserves? Does reality match perception? Do we know why some people will not

do business with us? Do we keep our promises? Low public confidence and poor reputation costs money. Strong public confidence and a good reputation can provide a direct boost to the bottom line.

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