CORPORATE REPUTATIONS

Among Europe's Best, What Makes a Good Name

Branson's 'Rebel' Persona Places Halo Over U.K. Megacompany

By HANNAH KARP

VIRGIN RAIL is notoriously unreliable. Virgin Cola was a flop. Virgin Megastores are losing their allure now that Web-savvy music lovers can download their tunes.

So why does **Virgin Group** Ltd. have the best reputation among Britain's most visible companies? Two words: Richard Branson.

Thanks to its flamboyant leader, who has crossed the Pacific Ocean in a hot-air balloon and hid in overhead luggage bins to surprise passengers on Virgin Atlantic Airways and is now starring in his own reality-TV series, "The Rebel Billionaire," the private investment group topped global giants, including **Microsoft** Corp. and **Sony** Corp., in chalking up the highest corporate-reputation score in surveys of companies in the U.K., Germany and France.

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Virgin Group Ltd.

■ Emotional Appeal	2nd
■ Financial Performance	4th
■ Products and Services	2nd
■ Social Responsibility	2nd
■ Vision and Leadership	1st
■ Workplace Environment	2nd

"It's quite an unusual thing. I can't think of another company so associated with a senior executive," says Alfredo Marcantonio, founder of London-based advertising-consulting firm MPH. "He's a tackle-anything kind of guy, and his personality has created a halo over the company which allows it to resist the bad publicity."

For example, while nearly half of survey respondents complained of Virgin's poor train service ("Get out of the train business—it's ruining your great reputation!" pleaded one), Mr. Branson still got raves for his decision to try to turn around Britain's two most run-down rail franchises with a £2 billion (€2.86 billion) fleet-replacement program. "I just admire him for giving it a go," says Julie Dawe, 46 years old, a writer from Bristol, England. "Branson is a straightforward person, and you can expect that to carry on in all his companies."

So powerful is Mr. Branson's persona that Virgin companies spend only about one-third of the amount that competitors spend on advertising, Virgin says. "I don't remember the last time I saw a Virgin ad," says one survey respondent.

With his attention-grabbing stunts and ideas, the 54-year-old Mr. Branson keeps the Virgin name fresh and visible. His latest proposal to send people into space on commercial flights, for example, has attracted loads of publicity for the brand. "Star Trek" star William Shatner is among about 7,000 people who have signed up to fly on Virgin Galactic.

Certainly, Virgin Galactic could be a bust, but the move into space travel creates a sense of adventure and innovation that boosts the image of the some 200 Virgin enterprises around the world, ranging from bridal wear to beverages. "The best chief executives are constantly taking calculated risks, and Mr. Branson exemplifies this quite well," says Mark Durkin, head of the School of Marketing, Entrepreneurship and Strategy at the University of Ulster, who cites Mr. Branson in class to show how risk-taking can pay off in the long run, even if some ventures fail along the way.

Mr. Branson has a history of entering businesses he knows little about—inspiring the group's name—usually by taking stakes in companies and slapping on the Virgin name rather than starting them from scratch.

Two exceptions are his world-wide network of music stores and Virgin Atlantic, which became one of the world's most profitable carriers in the 1980s, though it's been struggling lately with the slumping airline industry.

"Virgin Atlantic still retains an image of difference under the persona of Richard," says J.P. Morgan airline analyst Chris Avery. "Even though the airline has been around for quite a while, Richard is still seen as something of a new boy, always innovating."

Most Visible Companies in Scandanavia

With Reputation Quotient (RQ) scores based on survey respondents' rating of 20 attributes

Sweden

COMPANY	RQ	COMPANY	RQ
1. IKEA	79.3	9. ABB	58.9
2. Nokia	76.5	10. McDonald's	57.0
3. Microsoft	74.2	11. Telia Sonera	56.4
4. Volvo	70.7	12. Systembolaget	54.3
5. ICA	69.9	13. SJ	46.2
6. Saab	67.9	14. Posten	40.4
7. Coop	64.1	15. Skandia	34.0
8. Ericsson	60.4		

Denmark

COMPANY	RQ	COMPANY	RQ
1. A.P. Møller-Mærsk	84.8	9. Danske Bank	70.9
2. Danfos	82.4	10. Arla Foods	70.4
3. Grundfos	81.6	11. Coop	70.2
4. Bang & Olufsen	80.7	12. TDC	67.7
5. Novo Nordisk	80.4	13. SAS	65.9
6. Lego Company	78.3	14. DSB	65.2
7. Vestas	78.3	15. McDonald's	63.4
8. Dansk Supermarked	72.9		

Norway

COMPANY	RQ	COMPANY	RQ
1. Tine	75.0	9. Telenor	65.4
2. REMA 1000	72.2	10. El-Kjøp	64.4
3. Hydro	70.1	11. IF	61.8
4. Coop	69.8	12. Bravida	60.9
5. Statoil	69.2	13. Aker Kværner	60.6
6. Coca-Cola	67.7	14. Posten	60.1
7. DnB NOR	66.0	15. SAS	55.0
8. RIMI	65.8	16. NSB	54.8

Sources: Harris Interactive; Reputation Institute

Top Swedish Firms Hurt by Others' Woes

By MARIA AKERHIELM
Dow Jones Newswires

Stockholm

SCANDANAVIA'S BEST corporate reputations belong to a Swedish giant featuring ready-to-assemble furniture, a Danish family firm that became the world's largest container-shipping line and a dairy-products company that has supplied milk to generations of Norwegians.

But in a sign that negative images can be more powerful than positive ones, the public perceptions of even some of the region's most-admired firms have been dragged down by the woes of some of the least admired.

In Sweden, the problems of an insurer under fire for its executive pay and alleged fraud was among corporate scandals that hurt the reputation of all the country's companies, says Tony Aperia, a faculty member at Stockholm University School of Business.

Sweden's **IKEA**, which scored that country's top corporate reputation, is a case in point. In a study by Reputation Institute and Harris Interactive Inc., its score based on respondents' rating of companies on 20 attributes was lower than five firms in Denmark, which boasted the region's highest reputation scores because its companies weren't stained by scandals.

Still, IKEA ranked high on all dimensions of the reputation survey. "Swedes love IKEA," says Mr. Aperia. Filip Nilsson, creative director at Gothenburg-based advertising firm Forsman & Bodenfors, says IKEA over the years has built trust by being "very proactive." When confronted by customer complaints or manufacturing mistakes, for example, "IKEA reacts fast, is open and available," says Mr. Nilsson.

Swedes take pride in the global success of local companies, even if it's in another Nordic country. Finland-based cellphone company **Nokia** Corp. garnered Sweden's second-ranked reputation, ahead of Sweden's own telecom giant, **Telefon AB L.M. Ericsson**. In Denmark, **A.P. Møller-Maersk Group** won its top ranking with a reputation as a "very orderly [company] with high business ethics," says Majken Schultz, a Copenhagen Business School professor. The family-owned shipping firm also has raised its visibility by financing a new opera house in Copenhagen through a family foundation, as well as by a widely seen TV interview with Maersk Mc-Kinney Møller, when the son of the company's founder turned 90 last year. "Now he's a familiar face to Danes," says Reputation Institute partner Kasper Ulf Nielsen.

In Norway, Tine, a 123-year-old cooperative that supplies nearly all of the country's milk, was most admired in the survey even though consumers generally don't like monopolies. Tine countered that, Mr. Nielsen says, partly because it's "associated with farmers who brought people their milk when they were kids."

The dubious distinction of the lowest-ranked reputation in Scandanavia goes to Sweden's **Försäkrings AB Skandia**. Respondents associated it with words like "scandal" and "fraud." Former Chief Executive Lars-Eric Petersson and other managers left the company last year amid a controversy over remuneration of executives and use of company apartments. Mr. Petersson has denied any wrongdoing.

In a recent interview, Vice Chairman Björn Björnsson said the insurer is committed to dealing "with all of our problems one by one," but acknowledged, "trust takes a long time to build up, but can be ruined fast." Last week, the company launched an ad campaign with one TV commercial showing a tired-looking employee surrounded by reminder notes reading, "With our reputation we can't afford to do anything wrong."

Troubles at carrier **Scandinavian Airlines System** lowered overall reputation scores in the entire Nordic region. SAS, 50%-owned by the governments of Sweden, Denmark and Norway, has been beset by the industry woes of overcapacity, sluggish traffic growth and higher fuel prices, as well as its own identity problem. Some respondents said they were confused by the company's efforts to be a point-to-point, no-frills airline after formerly stressing business-class service. Calling SAS "unpredictable," one noted there is "a lot of back-and-forth in the management."

Bernhard Rikardsen, the airline's head of human resources, acknowledges SAS is "faced with a major task to reposition our brand" in a competitive market. "We cannot be a company providing 'either-or,' " he says. "We have to be a bit of both."

More Icon Than Brand, Porsche Gets Heaps of Praise in Germany

By ANDREW WALLMEYER
Special to THE WALL STREET JOURNAL

IN A NATION of auto enthusiasts, Porsche is more an icon than a brand: linked with speed and success, seen as a paragon of innovation and technical excellence.

"This is the car I would buy immediately if I won the lottery," said one corporate-reputation survey respondent in Germany. "I love the sports car and envy anyone who is able to drive one."

When interviewees were asked what the company could do to further improve its image, two common answers were "nothing" and "more of the same." The only area where **Porsche** AG lagged as Germany's top-ranked corporate reputation was signaled in a third common answer: "lower prices."

Other than the desire for a more affordable Porsche, respondents heaped praise on the company, including for traits apart from the car's emotional appeal. It scored high in financial performance, underscoring a turnaround for a company once almost as known for its high operating costs as its fast cars.

After a history as a family company dominated by engineers, former production chief Wendelin Wiedeking took over as chief executive in 1993 and soon brought in a team of Japanese experts to streamline production of the company's signature 911 model, priced between €65,000 to €120,000, before taxes. The result was a redesigned 911 that kept its look and performance, but cost much less to build and shared a third of its parts with a new more mass-market cousin, the Boxster, which starts at €37,000.

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Porsche AG

■ Emotional Appeal	1st
■ Financial Performance	2nd
■ Products and Services	4th
■ Social Responsibility	3rd (tie)
■ Vision and Leadership	2nd
■ Workplace Environment	1st

When Porsche's primary manufacturing facility near Stuttgart couldn't meet increased demand, Mr. Wiedeking outsourced some Boxster production to a Finnish contract manufacturer while stressing the 911 would continue to be built in Germany. Porsche adopted a similar strategy when it teamed with **Volkswagen** AG to produce the Cayenne SUV, with some production at a new Porsche facility in Leipzig, Germany, and some at Volkswagen's plant in Bratislava, Slovakia.

While outsourcing would normally be viewed harshly at home, German survey respondents gave Porsche high marks for keeping its promises to employees and for bringing badly needed jobs to eastern Germany. The company also won praise when it said it would, as a matter of principle, not apply for as much as €250 million in European Union subsidies for its Leipzig plant. One respondent cited "business practices that allow them to build luxury automobiles without state subsidies."

Mr. Wiedeking was praised in the same breath as company founder Ferdinand Porsche. Dieter Harth, a 65-year-old business consultant from Leidersbach, said Mr. Porsche's name was "synonymous with high-quality cars that no one needs but everyone wants." He then called Mr. Wiedeking "one of the best managers in our country."

Joachim Schwalbach, who studies corporate reputation as a professor at Humboldt University in Berlin, agrees the company's management now is further boosting its image. "Even if they have not experienced the product," he says, "the general public feels that this is a very well-run company."

The only downside: the price. Prof. Klaus-Peter Wiedmann, who studies corporate reputations at the University of Hannover, says negative answers about Porsche were prompted by respondents' belief that they'd never be able to buy one. That aura of exclusivity, of course, has a value all its own.

"I'm not sure you could criticize the management for not satisfying those people's needs," says Lehman Brothers analyst Christopher Will. "We all want a cheap Rolex, but is a cheap Rolex still a Rolex?"

In France, a Diverse View of Beauty, Consistent Results, Draw Admiration

By HANNAH KARP

IN A COUNTRY known for beauty and style, **L'Oréal** SA may have an edge in having public admiration. But it took more than face cream and lipstick to earn France's top corporate reputation.

"L'Oréal has realized that its reputation goes beyond its products, and they've done quite a lot recently to ensure the whole ethos and culture of the company comes across very strongly," says Sandra Macleod, chief executive at Echo Research, a global-reputation analysis and communications-research firm.

To promote diversity among its employees, customers and suppliers, for example, the company uses spokeswomen ranging from India Bollywood star Aishwarya Rai to Chinese actress Gong Li and U.S. singer Beyoncé Knowles.

"At L'Oréal we do not try to export or impose a single view of beauty," says CEO Lindsay Owen-Jones. "All our brands must reach out to people of very different types around the world."

That also makes good business sense for the world's biggest cosmetics company, which has been aggressively expanding into emerging markets like China, where revenue grew 67% last year to €159 million, excluding Hong Kong and Taiwan. Following the recent acquisitions of two Chinese brands—the mass-market Mininurse and the upscale Yue-Sai—L'Oréal is opening a China research center.

CORBIS

L'Oreal SA

■ Emotional Appeal	1st
■ Financial Performance	1st
■ Products and Services	1st
■ Social Responsibility	3rd
■ Vision and Leadership	1st
■ Workplace Environment	2nd

The cross-cultural message also resonated with survey respondents, many of whom noted L'Oréal's diverse array of models. "They use personalities in their advertising who inspire confidence that you are special, too," says Fanchon Cottarel, a 31-year-old actress in Paris. "This gives L'Oréal a good image."

Respondents also applauded ad slogans that convey how much L'Oréal values its customers. "Because I'm worth it," the tagline for the L'Oréal Paris brand, was a favorite.

In addition to its top rank for products, emotional appeal and vision and leadership, L'Oréal stood out for its consistent financial performance—19 consecutive years of double-digit profit growth.

But analysts caution that streak may end this year because of Europe's sluggish economy. "While we expect consumer spending will hold up in other zones, we do not think sales in other countries will be enough to offset weak sales in Europe," says Francoise Etienne, an analyst at CM-CIC Securities. L'Oréal generates 14% of its sales in France, where the perfume and pharmacy segment has been lagging.

L'Oréal hopes to stimulate sales with its first companywide marketing campaign, which it declines to describe. L'Oréal advertising traditionally has focused on its specific brands.

But even if its streak is snapped, the company has another hallmark of consistency: continuity of leadership. Since chemist Eugène Schueller founded the company in 1909—taking its name from its first hair color, Auréole (French for "aura of light")—L'Oréal has had just four CEOs. Liliane Bettencourt, daughter of the firm's founder, and her family indirectly control L'Oréal, along with food giant **Nestlé**, which owns a large stake.

In the U.S., Some Big Names Have Lost Luster

By RONALD ALSOP

ASK MICHAEL KITCHENS what comes to mind when he hears the name **Walt Disney** Co., and it won't be Mickey Mouse or Disney World. What he thinks of first: "Michael Eisner and overblown salaries."

Mr. Kitchens, a telecommunications manager in Acworth, Georgia, says his childhood memories of Disney's movies have been eclipsed by the company's recent management turmoil and exorbitant executive compensation, most notably former president Michael Ovitz's $140 million (€108 million) severance package.

"When I grew up, Disney was on a pedestal in my mind, pristine and untouchable," Mr. Kitchens says. "Now, it's all about greed and ridiculous salaries. Next thing you know, they'll lay off Mickey and Goofy to further enrich the executives."

Such sentiments helped knock Disney out of the U.S. top 10 in the sixth-annual Reputation Quotient study conducted by Harris Interactive Inc. and the Reputation Institute. Disney fell to 16th place in the reputation ranking from fourth in 2003, as U.S. respondents repeatedly berated it for losing its magic. "There's no soul behind the company anymore," complained survey respondent Trudi Lee Feichtenbeiner-Franson, a mental-health specialist in Salt Lake City.

In response to such comments, Disney issued a statement saying that it remains "focused on being the world's leader in quality family entertainment for which our guests and customers around the world give the company top marks. That satisfaction has translated to a tremendous uptick in financial performance for shareholders over the past few years."

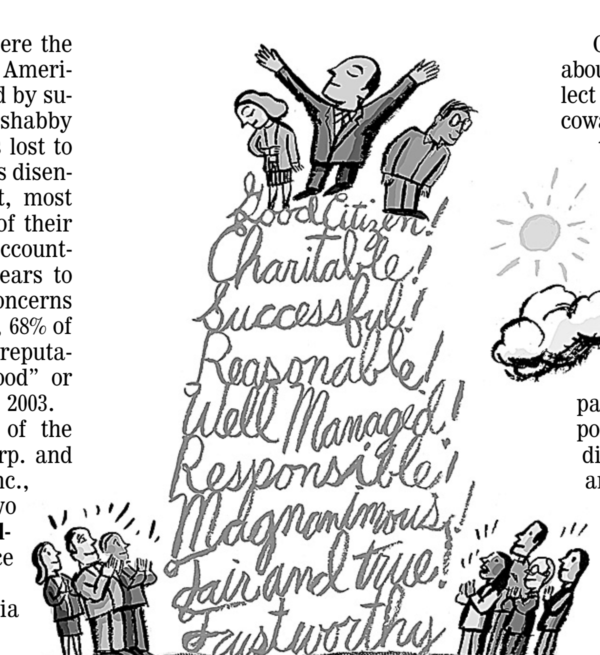
Many other U.S. companies were the targets of similar criticism from American survey respondents, disgusted by supersize executive compensation, shabby treatment of employees, and jobs lost to outsourcing. As the public remains disenchanted with the world's largest, most prominent companies, the focus of their ire is shifting from the notorious accounting scandals of the past three years to workplace and compensation concerns that hit closer to home. This year, 68% of survey respondents graded the reputation of U.S. business as "not good" or "terrible," compared with 74% in 2003.

Indeed, persistent memories of the fraudulent activities at **Enron** Corp. and **MCI** Inc., formerly WorldCom Inc., kept them mired in the bottom two spots in the U.S. ranking, while **Halliburton** Co. slumped to 58th place (out of 60) from 50th last year.

Halliburton was hurt by media publicity about billing disputes between it and the U.S. government regarding its work in Iraq, plus concern about its ties to Vice President Dick Cheney, the company's former chief executive.

"When Halliburton received lucrative government contracts, it was perceived as dishonest because of the connection with Mr. Cheney," said Jennifer Maher-Bontrager, a Web designer in Frisco, Texas. "Integrity is more than just following the letter of the law; it also involves following the spirit of the law. Whether or not they have technically done anything wrong is less important than the public court of opinion as far as reputation is concerned."

Aware of such feelings, Houston-based Halliburton recently began a corporate ad campaign to try to repair its reputation. "Some have suggested that Halliburton's work in Iraq came 'on a silver platter,' " the company says in the ads, which air in the U.S. "Quite simply, that is completely false."



Robert Neubecker

Such debates and scandals, of course, will eventually fade. What is really alienating people—and will hurt reputation long term—is the perception of a growing inequity between working stiffs and mercenary corporate chiefs.

Emotions ran high in this year's survey. "Unearned rewards just go completely against my grain," said Larry Brewer, a manufacturing supervisor in Hartselle, Alabama. "Corporate royalty should consider that their subjects can revolt and break out the guillotine."

Other survey respondents complained about the "platinum parachutes" CEOs collect on their way out the door and "greedy cowards and short-sighted patriarchs" sitting on some corporate boards.

Another sore point with Americans in the survey was the offshore outsourcing of jobs. **Dell** Inc., for example, fell out of the top 10 for the first time since 2001, as respondents criticized the computer marketer for creating customer-service jobs abroad. "Dell pretends to be an all-American company but outsources jobs as much as possible to other countries, notably India," said Carl Dershem, a legal clerk and musician in San Diego.

Such complaints are familiar to Dell, a spokeswoman says. "We point out that we are a global company hiring people around the world, including the U.S. But most of our growth now is outside the U.S., especially in developing countries." Despite the jobs issue, respondents named Dell most often as the company they would definitely invest in, and second most often, after **Starbucks** Corp., as the stock they would definitely recommend to others.

Perhaps more than any other company, **Coca-Cola** Co. demonstrates the value of an enduring reputation when the going gets tough. Despite declining profit and criticism of its sugary soft drinks for contributing to obesity, the company still ranked third in the survey, the same as last year, and was named most often as the product people would "definitely" purchase and recommend to others. The emotional power of the brand is strikingly clear when so many respondents fondly recalled old ad slogans.

Japanese companies fared well too this year, as both **Sony** Corp. and **Honda Motor** Co. moved into the top 10 and **Toyota Motor** Corp. advanced seven places to No. 13. But no one could touch **Johnson & Johnson**, which once again took top honors in the reputation study, its sixth-consecutive first-place finish. American respondents still give the company high marks for its consumer-products business as they relate pleasant memories of using its baby powder and shampoo.

Yet not everyone thinks of J&J in such cuddly terms. Some U.S. respondents criticized it for the prices of its drugs and medical devices. Ross Miller, a physician in Los Angeles, allowed that J&J has a better reputation than most pharmaceutical companies today, but said he believed it can "find more ways to make access to medicine easier for the unfortunate."

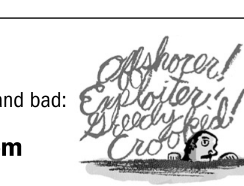
J&J and many other companies, including highly rated **3M** and Sony, were urged to be better corporate citizens—or at least let the world know about their good deeds.

Wal-Mart Stores Inc. particularly came under attack, as some people said they didn't buy the company's U.S. commercials featuring smiling, successful employees. "I'm offended by Wal-Mart's ads," said Anthony Leo, an Arvada, Colorado, doctor. "The image of a waving American flag with the faces of contented employees and grateful townsfolk welcoming the liberating Wal-Mart—well, for me, it is too much to swallow." The retailer was among the five companies receiving the most negative ratings for "rewarding employees fairly."

Wal-Mart, which fell five notches to 28th place in the ranking, recently acknowledged its image problems and vowed to do a better "outreach" job to tell its story to the public.

Coming Up Roses, or Rats

U.S. consumers rank the reputations of highly visible companies, good and bad:



At the top

2004 RANK	2003 RANK	COMPANY
1	1	Johnson & Johnson
2	8	3M
3	3	Coca-Cola
4	9	Procter & Gamble
5	2	United Parcel Service
6	5	Microsoft
7	13	Sony
8	7	FedEx
9	6	General Mills
10	11	Honda

At the bottom

2004 RANK	2003 RANK	COMPANY
51	46	Sprint
52	–	Tyco International
53	55	Martha Stewart Living
54	53	Bridgestone/Firestone
55	–	Alticor (Amway)
56	–	Adelphia Communications
57	56	Kmart
58	50	Halliburton
59	59	MCI
60	60	Enron

Note: Tyco International; Alticor and Adelphia Communications weren't on the 2003 list.

Source: Harris Interactive and the Reputation Institute