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# STAND BY YOUR BRAND

**HOW CORPORATE REPUTATION AND BRAND  
EQUITY SUPPORT EACH OTHER IN ACHIEVING  
BUSINESS GOALS**

# INTRODUCTION

Battered for years in the business press, and suffering declining store sales, Sears continues to anchor malls across America.

In what seems like a few short years, Samsung has evolved from a value buy in home electronics to a company known for driving innovation throughout the home and across screens.

What secret do these very different entities have in common? Each of these companies is managing two critical assets—brand equity and corporate reputation—to support overall company business goals. A strong branded house built over years buy some time for corporate reinvention, or it can raise a challenger company to leadership status as the product portfolio gains critical mass; a house of brands can allow individual product brands to continue on a successful path, while defending corporate reputation from a relentless press.

The question of whether to pursue “branded house” vs. “a house of brands” strategy is not new, but the importance of understanding the strategic implications of each strategy has acquired a higher level of urgency. In our connected world, one corporate misstep can go viral and result in adverse impacts on products linked to the company through masterbranding. The inverse is also true: As challenger companies bet their reputation on their product lines through masterbranding, they can quickly develop a reputation for quality, vision and innovation, not just among consumers, but among various stakeholders that have a say in their success. Thus, it’s critical to understand the mutual impact of corporate reputation and brand equity across industries.

Using brands and companies that have won consumer acclaim as measured in two long-standing landmark Harris Poll studies—Reputation Quotient® (RQ)®, focused on corporate reputation, and EquiTrend®, measuring brand equity—this article will describe at a high level the impacts of brand equity vs. corporate reputation on consumer perceptions and receptivity to product brands, and provide insights to marketers and reputation managers seeking to understand and proactively leverage these core business assets.

DESPITE RECALLS  
AND NEGATIVE PRESS  
DIRECTED TOWARD  
CORPORATE PARENT GM,  
CHEVROLET’S RECOVERY  
CONTINUES ON PACE.

# THE DIFFERENCE BETWEEN REPUTATION MANAGEMENT AND BRAND MANAGEMENT

When talking about consumer marketing, the line between corporate reputation and brand management has often been blurred, especially so when the company and the product share a brand identity. Thus, the definition of each may be viewed as more of a guiding principle than as a hard and fast rule in the consumer marketing environment.

Generally speaking, *corporate reputation* is the sum of all perceptions and expectations that multiple stakeholders (opinion elites, employees, investors, communities, governments, analysts, media, consumers, etc..) have about a corporation based on their own agenda...that is, alignment with investing, employment, corporate citizenship, business practices, etc., that serve their own interests. **A strong reputation gives companies license to operate; in this case under discussion, allowing them to implement their brand efforts with the least possible friction.**

A *brand* is a promise provided by a product or service, supported by distinctive associations and experiences that, taken together, provide an emotionally and intellectually compelling reward to a defined set of customers, resulting in value to both parties. **Brand Management is about implementing your business strategy by connecting products with desiring consumers through two-way communication between the brand and these customers:** Driving consumer engagement and affinity throughout the acquisition phase (sponsorships and events, social media, cause marketing), and then providing multiple touchpoints that offer added value once a consumer becomes a customer.

To understand the relationship between corporate reputation and brand equity, we turned to two Harris Poll studies conducted among the general population of US consumers:

- Harris Poll EquiTrend® is an annual study of brand equity, defined as a composite of familiarity, quality and consideration, with additional diagnostics to help explain high-level drivers of equity. In EquiTrend, an average of 1,500 brands are rated by approximately 30,000 consumers along these dimensions every year.<sup>1</sup>
- Harris Poll Reputation Quotient® (RQ®) measures reputations of the most visible companies, as perceived by the general public. In RQ, 100 companies<sup>2</sup> were rated along six dimensions: Emotional appeal, products and services, vision and leadership, workplace environment, financial performance and social responsibility, which are aggregated into an RQ score. 27,000 consumers were interviewed in 2015.
- EquiTrend and RQ have been in existence for 27 years and 16 years, respectively, and are trusted validated studies of brand equity and corporate reputation.
- Note that in both cases, study geographies are US only.
- Throughout this analysis we make reference to various ratings tiers for both corporate reputation and brand equity. Definition of those tiers appears at the end of this article<sup>3</sup>.



## METHODOLOGY

To provide some understanding of how we arrived at our conclusions, following is a brief overview:

- Data used in this analysis were drawn from 3 years (2013, 2014 and 2015) in each of the above-mentioned studies.
- 50 companies were identified as being included in both EquiTrend and RQ in both 2014 and 2015; 47 companies were identified in 2012; thus a total of 147 company observations were included in the final data set.
- Additive Bayesian Nets was the modeling approach used. This is a form of Bayesian network modeling that does not require the identification of a dependent variable...thus the variables “tell us” what the causal relationship is.

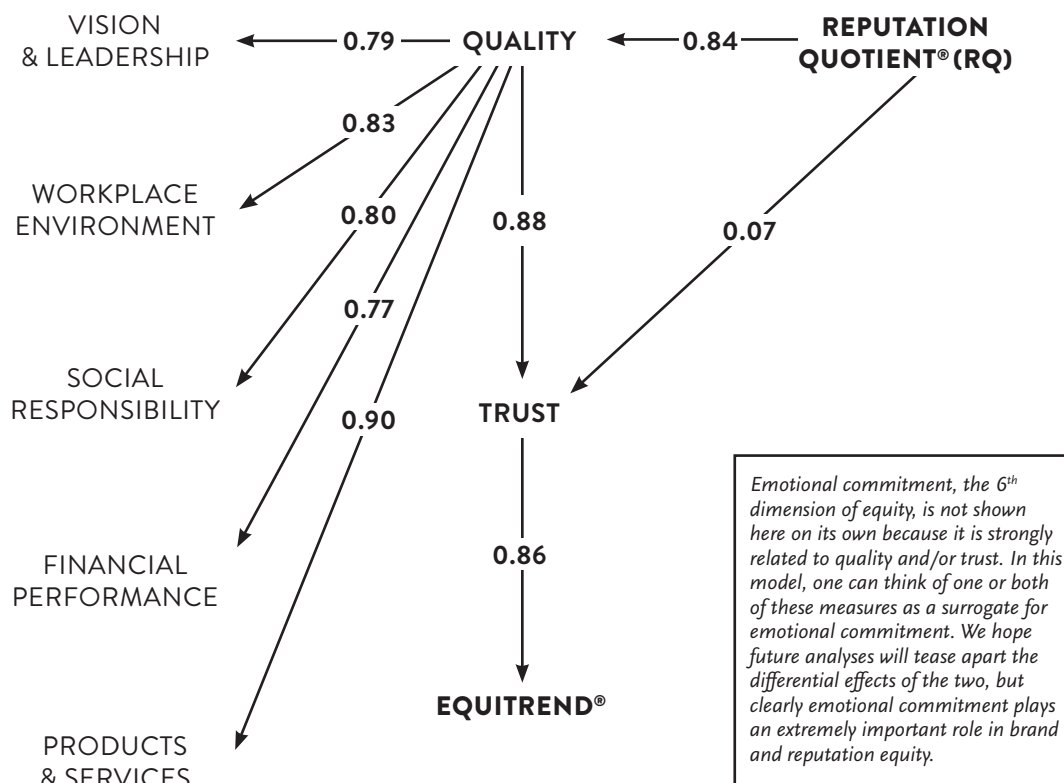
A detailed description of the methodology is included at the end of this article.

# DISCUSSION OF FINDINGS

The graph below (Figure 1) demonstrates that corporate reputation, expressed as a composite score of the six dimensions noted earlier, drives the core component of consumer brand equity (quality); reputation also has a relationship with trust, which is a direct driver of the brand equity rating.

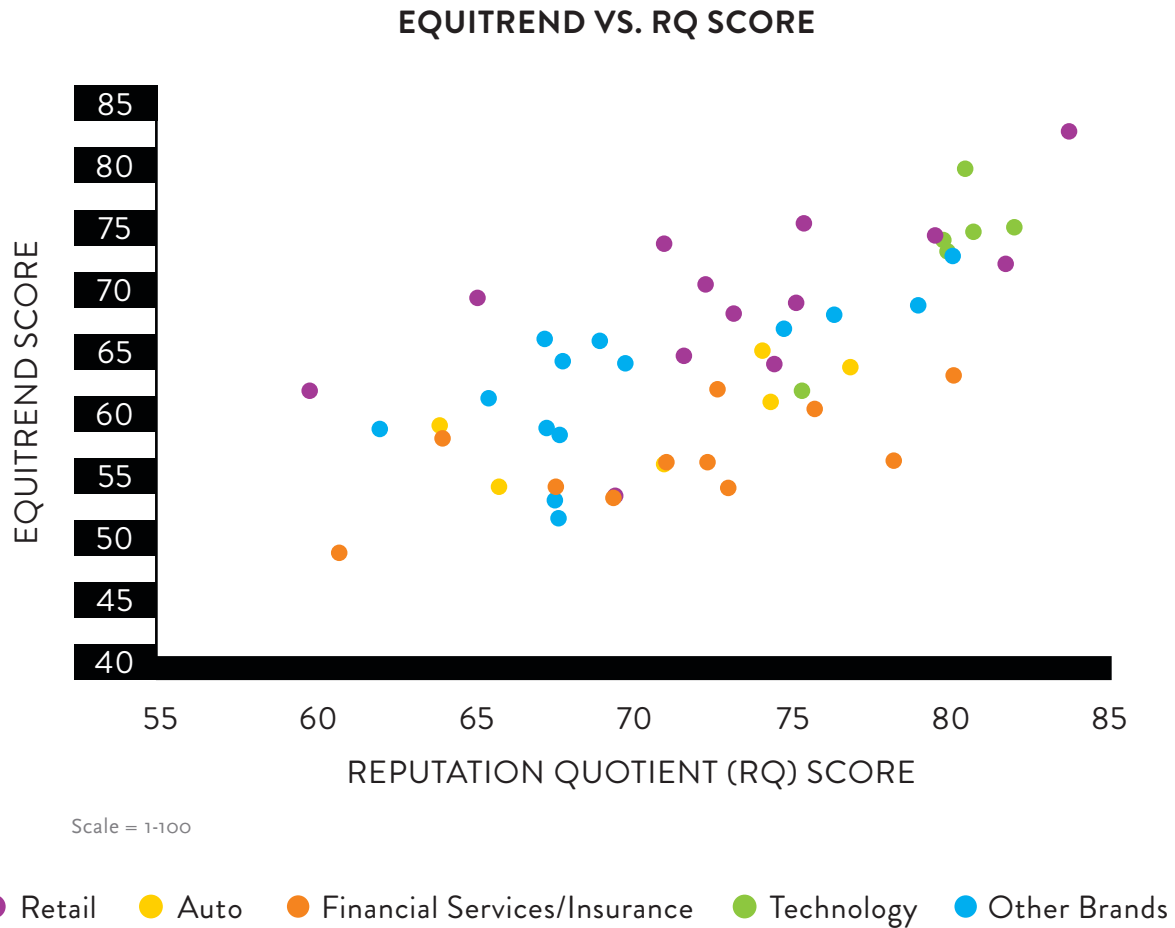
*But also interesting is the impact that perceptions of brand equity have on the six dimensions of corporate reputation. It exerts a strong impact on all six of the drivers, most notably products and services, which can be often considered the most tangible, immediate consumer touchpoint and a table stake for corporate reputation...and is obviously the foundation for the brand. Thus the position that corporate reputation makes it easier to implement brand strategies is supported, but there is also the implication that over time, consumers' perceptions of brand quality (positive or negative) can influence a company's reputation.*

**FIGURE 1: THE RELATIONSHIP BETWEEN REPUTATION (AS REPRESENTED BY THE RQ SCORE) AND EQUITY (AS REPRESENTED BY THE EQUITREND SCORE)**



The next avenue to explore was the degree of alignment between the overall EquiTrend and RQ scores, and with that, to understand whether the relationship changes by industry (see figure 2).

**FIGURE 2. THE RELATIONSHIP BETWEEN CORPORATE REPUTATION AND BRAND EQUITY<sup>4</sup>**



This graph demonstrates that the alignment between the two composite scores overall is quite close among consumers, but it also suggests that the relationship differs by industry.

# THE EVERYWHERE BRANDS

The six data points skimming the top of the scatterplot represent what can best be described as “omnipresent” brands: Highly accessible, transactional, a mix of retail brands grounded in brick and mortar and “e”verywhere brands. These brands include Sears, Walmart, Target, Google and Amazon.com. For these brands, the storefront (actual or virtual) is the company, making it crucial that brand delivery be spot on.

In addition, the equity created by the brand over time can serve to sustain it in the face of adverse publicity, events, or even when the business model is difficult to sustain... all negative impacts on the corporate reputation.

- Sears’ corporate reputation would fall into the “poor” ratings tier in the 2015 RQ, whereas it garners a respectably average brand equity score in 2015 EquiTrend. A closer look at Sears’ ratings across the components of corporate reputation reveals the reason for the apparent disconnect: Sears’ reputation is compromised by significant declines in financial performance and vision and leadership...but their rating for products and services—the *brand* that people interact with—is holding steady. Thus Sears, along with the retail category overall, is able to benefit from the gradually improving economy and experience sharp increases in brand equity across most metrics in 2015, achieving a significant increase in trust in the consumer brand. Of interest for Sears would be an understanding of how the equity of its stronger product brands may flow to the masterbrand, particularly as the product brands have pulled further away from their Sears identity over the years. Kenmore Appliances achieves a higher brand equity score than its parent that puts it in the top 25% of brands; Craftsman Tools has been in EquiTrend’s top 10% of brands for many years.
- Costco is differentiated among retailers in that, while both its corporate reputation and brand equity are excellent, its corporate reputation is a secret sauce behind its power as a brand. As a company, Costco’s reputation among consumers is almost unsurpassed: In 2015 it took a big jump to land in the #4 position in the 2015 RQ. Costco’s corporate reputation is strong across all dimensions but especially noteworthy is its superior performance on workplace environment. From the CEO on down, the commitment to provide employees with a living wage and generous benefits is widely known and truly gives the company license to operate. As a brand, it sits in the top 10% of all brands rated in EquiTrend, experiencing significant year-over-year gains in equity for three years running. Costco.com is also in the top 25% of brands for equity, as is Costco Gasoline, demonstrating the benefits of launching “line extensions” under a strong brand reinforced by a strong company reputation.



# RECOVERING INDUSTRIES: FINANCIAL SERVICES AND AUTOMOTIVE

Most of the companies along the lower border of the scatterplot are financial services brands: Insurance, banking, investment services. Like the retail and online brands noted earlier, the corporate brand *is* the product brand, but in these categories, brand equity tends to be weaker than for brands in categories that are more tangible for consumers. Consumers may have a hard time understanding product offers and differentiation, but they do understand what they see, read or hear in the news and what they feel in terms of their personal economic well being. In this industry, corporate reputation weighs heavily on brands, as they are far more vulnerable to perceptions consumers hold about how the institution conducts business vs. a perception or understanding of the institution's product offering.

Corporate reputation in financial services among consumers is improving slightly: As recently as four years ago, Bank of America's RQ score fell into the "critical" range; today, it, along with other highly visible financial services companies, would still be considered having a poor reputation but improved. Driving the improved score for Bank of America specifically is a significant improvement in perceptions of the company's financial performance, commitment to socially responsible behavior, and vision and leadership.

On the other hand, when consumers rate the brand equity for these companies, their recovery is somewhat slower. One of the main components of brand equity is consideration, and while we are seeing improvements in quality ratings, consideration of retail banks specifically is slower to rebound. However, with reputation continuing to show improvement, we can expect to see consumers' willingness to interact with these brands increase in the future...as long as they continue to see these companies as authentically rebuilding their corporate character, re-earning their trust, "doing no harm" to the economy—or to their own financial security.

Similar to financial services, the automotive industry has seen its reputation among consumers shaped by high levels of news coverage good and bad—strong sales recovery, debt repayment, product quality and recalls. Also similar to financial services, consumers experience a limited number of automotive brands throughout their lifetime, and the purchase cycle is long, creating few opportunities for brand-level interactions.



## TECHNOLOGY: WHERE STRONG BRANDS ARE BUILDING TODAY'S MOST VISIBLE COMPANIES

Every major branding study has been reporting the infiltration of technology brands into their “Top 25”, pushing more traditional brands further down in their lists. And why not? Technology, and specifically consumer technology brands, represents the new wave of indispensable brands: The company logo shouts to us from every screen, major appliance and household gadget that we no longer can live without. Technology brands not only sit toward the top of both consumer studies: They are also *gaining* a positive corporate reputation and strong brand equity at an accelerated rate.

Earlier, we noted the impact of corporate reputation on brand quality, a component of the brand equity score, and in turn the impact of quality on the various components that make up corporate reputation. By branding technology products with the company name, consumer electronics companies specifically are proof of a reciprocal relationship between corporate reputation and brand equity. They have leveraged their product brands to build highly-regarded companies, and, as now highly-regarded companies, they can turn around to use their reputation to navigate any brand challenges in this fast-moving industry.

In the 2015 RQ, Samsung jumped to second place among the list of highly rated visible companies; four years ago, it was at #13, and seven years ago, it wasn't even in the top 25. Its ranking is driven by high ratings for financial performance and vision and leadership, and it also receives high marks for various attributes associated with innovation. As one of a number of masterbrands included in EquiTrend, Samsung has experienced two successive years of significant increases in brand equity, and similarly sits within the top 10% of all brands measured. The success of its individual product brands is the key to consumer perceptions of the company:

- Multiple Samsung product brands measured in EquiTrend have experienced significant increases in their equity scores year-over-year for several years.
- Four of their products—the Galaxy phone and tablet, home appliances and home electronics—individually are among the top 10% of brands measured in the 2015 EquiTrend study.
- In addition to garnering high brand equity, all four of the above-mentioned product brands perform especially well (again, top 10%) on the diagnostic measure of “fit”...how well or how poorly the brand fits one's self image. So these are high-equity, high-affinity brands.

# WHAT DOES THE CONFLUENCE OF BRAND EQUITY AND CORPORATE REPUTATION MEAN FOR CONSUMER BRANDS?

Clearly, in consumer technology the line between corporate reputation and brand grows more transparent by the day, as technology brands continue to build their corporate reputation with consumers by leveraging high-quality product brands that we touch multiple times every day. Perhaps they will serve as an incubator for a new paradigm of brand measurement where reputation metrics are baked in as key performance indicators of brand success...and where reputation initiatives proactively manage cross-stakeholder perceptions about the company in order to execute brand efforts with the least possible risk or friction.

Brand marketers and their consulting partners will increasingly need to weigh synergies between the brand promise and the corporate mission and image, and consider a broader range of stakeholders and their agendas when managing brand portfolios and reputation and risk.

- Today, we are seeing CMOs taking more accountability for the entire brand experience, including customer satisfaction, and asking for measurement tools that can align and interpret both metrics in relation to one another. Marketers should be asking themselves if—or rather, which—metrics included in cross-stakeholder corporate reputation studies should also be considered key performance indicators for consumer brands.
- We consistently see a desire by companies to link their corporate reputation to business outcomes and understand how their corporate social responsibility initiatives, sustainability, employee engagement programs, government relations, investor relations, etc., are enhancing and protecting business value. Brand marketers and corporate communicators may be in a unique position to shape the conversation and the analytic framework to help their colleagues focused on these initiatives meet this new measurement objective.

# METHODOLOGY

## APPENDIX

Data used in this analysis consisted of the following:

### ***Harris Poll Equitrend***

- Data from 2013, 2014, 2015.
- Measures of Quality, Trust and EquiTrend Equity Score aggregated to the company level.

### ***Reputation Quotient***

- Data from 2013, 2014, 2015.
- Measures of Social Responsibility, Vision and Leadership, Products and Services, Financial Performance, Workplace Environment and Emotional Appeal (combinations of 20 attribute ratings aggregated at the company level).
- Measures of RQ aggregated to the company level.

In a data matching stage, 50 companies were identified as having clean data on all measures across 2014 and 2015 (appearing in both Equitrend and RQ).

- 47 of these companies also had RQ data for 2013.
- A total of 147 company observations were used in the final analysis.

# MODELING APPROACH

A causal modeling approach was taken in the analysis of this data. The approach taken was that of Additive Bayesian Networks. This is a form of Bayesian Network Modeling that is related to regression modeling but does not require the identification of a dependent variable (all possible relationships between variables can potentially “make” the final model):

- **Looking across models:** What are the dependent relationships between variables? The probability that each potential model best explains the observed data is calculated and the one with the highest probability of being “true” given the observed data is selected. Parameters measuring the strength of relationships between the variables are estimated for this “final” model.
- **Looking within a model:** What do parameters mean? When one variable is dependent on another (for example, Trust is dependent on Quality), it is assumed that is a probabilistic relationship. That is, knowing Quality doesn’t mean one knows the value of Trust. But knowing Quality changes the likelihood that Trust takes on certain values (e.g., if Quality is low it is likely Trust is low and unlikely that Trust is high; but if Quality is high, then it is likely Trust is high and unlikely that it is low).

It is assumed that the likelihood of a dependent variable takes on a Gaussian distribution. The mean and variance of this distribution change given the values of any variables that influence this dependent variable. For example, Trust is dependent on Quality. The probability that Trust takes on any particular value is assumed to follow a Gaussian distribution. But if a value is known for Quality, then this distribution has a different mean. The larger the parameter in the model, the bigger the influence on the dependent variable.

## NOTES:

1. Beginning in 2016, EquiTrend has been expanded to include a much large number of CPG brands. Starting in 2016, EquiTrend interviewed over 97,000 consumers, who rated over 3800 brands.
2. In previous years, this number of visible brands was capped at 60.
3. Ratings in both RQ and EquiTrend are segmented into tiers to provide some context in understanding the strength or weakness of a particular rating. For reference, both ratings are based on a scale from 1-100.

For EquiTrend, the “tiers” are based on quintiles:

- Top 10% (a rating of 67.58 or higher)
- Top 25% (a rating of 64.36 or higher)
- Average (a rating of 56.80 to 64.35)
- Bottom 25% (a rating of 56.79 or below)
- Bottom 10% (a rating of 52.90 or below)

For the 100 Most Visible Companies in RQ, the tiers are:

- |                   |                     |
|-------------------|---------------------|
| Excellent (80+)   | Poor (55-64)        |
| Very Good (75-79) | Very poor (50-54)   |
| Good (70-74)      | Critical (below 50) |
| Fair (65-69)      |                     |

4. Companies that were included in the analysis are as follows:
 

Amazon.com	McDonald's
American Express	MetLife
Apple	Microsoft
AT&T	Nationwide Mutual Insurance Company
Bank of America	Nordstrom
Best Buy	Phillips 66
BP	Royal Dutch Shell
Charles Schwab Corporation	Samsung
Chick-Fil-A	Sears Holdings Corporation
Chrysler Corporation	Sony
Costco	Southwest Airlines
ExxonMobil	Sprint Corporation
Facebook	Starbucks Corporation
Fidelity Investments	Target
Ford Motor Company	The Allstate Corporation
General Motors	The Home Depot
Google	The Travelers Companies
Honda Motor Company	The Vanguard Group
Hyundai Motor Company	The Walt Disney Company
IBM	T-Mobile
JCPenney	Toyota Motor Corporation
JPMorgan Chase & Co.	USAA
Kohl's	Verizon Communications
Lowe's	Walmart
Macy's	Wells Fargo & Company

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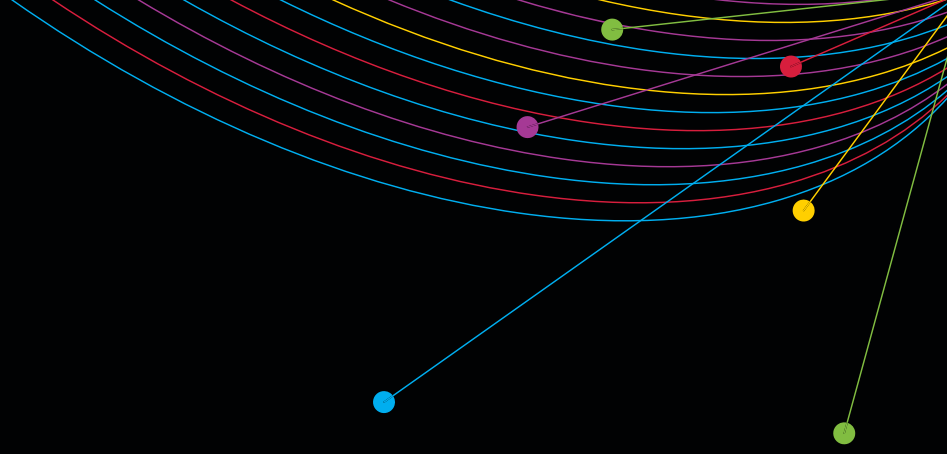
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