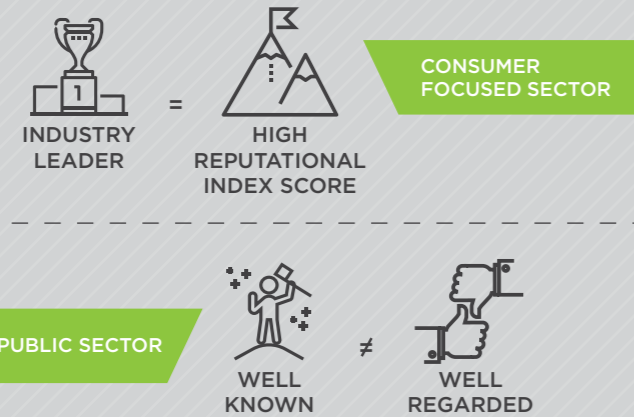


## > AWARENESS AND REPUTATION

We further assessed the relationship between awareness of an organisation and the Reputation Index (RI) score. While consumer focused sectors (telecoms, car manufacturers, food retail (FMCG), and financial services) showed high correlations between awareness and RI, this was not the case with public sector organisations. This suggests that in the public sector, being well known is not necessarily related to being well regarded. In the other sectors, however, being an industry leader is likely correlated with a higher RI score.



## > REPUTATIONAL ATTRIBUTES BY SECTOR

All respondents were asked to rank the nine reputational attributes in importance (reported ranking). Using the AE scores and the reputational drivers, we derived sector rankings of the reputational attributes. The top three attributes per sector appear below:

Sector	1	2	3
TELECOMMUNICATIONS			
FOOD RETAIL (FMCG)			
FINANCIAL SERVICES			
CAR MANUFACTURERS			
PUBLIC SERVICES			

Overall Ranking	1	2	3
TELECOMMUNICATIONS			
FOOD RETAIL (FMCG)			
FINANCIAL SERVICES			
CAR MANUFACTURERS			
PUBLIC SERVICES			

## > A BRIEF OVERVIEW OF SECTOR PERFORMANCE ACCORDING TO THE ARI



### TELECOMMUNICATIONS

The top driver of reputation in this sector is word of mouth. If consumers believe a brand invests in them, they will invest in the brand.



### CAR MANUFACTURERS

Because cars are such a long-term investment, consumers want a brand that reflects their identity. Recommendation is the top driver in this sector, reflecting how consumers want to take pride in what they have bought.



### FOOD RETAIL (FMCG)

Value for money is important in an economically stressful environment, but this must not come at the cost of service, quality and cleanliness.



### PUBLIC SERVICES

The public needs to interact with government institutions, regardless of their reputation. Respondents would appreciate a welcoming environment that in turn ensures staff are happier. Staff competence and efficiency are expectations.



### FINANCIAL SERVICES

Banks are known for customer service, but negative press has impacted perceptions around integrity, the second most important attribute of reputation in this sector.



REPUTATION IS **IMMENSELY IMPORTANT** therefore needs to be better understood by executives everywhere



CREATED BY **EXTERNAL INTERACTIONS** between customer & company - and not necessarily internal interactions



EARLY HARNESSING OF **INSIGHTS & STRATEGIES** ensures that any undesirable outcomes are avoided



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## > THE AFRICA REPUTATION INDEX

In 2016, Magna Carta Reputation Management Consultants, in collaboration with Yellowwood, a leading marketing strategy consultancy, developed a Reputation Index with the aim of measuring corporate reputation in the African context. The Index was developed in South Africa and will, over time, look at markets across the continent. The inaugural index ranks corporate companies in five different sectors in terms of their performance on reputational drivers. These drivers were identified using qualitative research and tested in a pilot study before inclusion in the final survey.

## > WHY MEASURE REPUTATION?

**"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."** - Warren Buffet

We live in an age of hyper-transparency and this has increased corporate reputational risk. The reach of social media and increased access to company information further exacerbates these risks, yet many corporates are not adequately prepared to manage the fallout and repercussions of a bad news event.

A damaged corporate reputation is expensive in terms of lost revenue; approximately 80% of people will not buy from a business that has had negative reviews. A company with a poor reputation may find it more difficult to recruit and retain talented employees.<sup>1</sup> In contrast, new customers are more likely to start relationships with companies that have a good corporate reputation.

Considering the high risk of reputational damage, diligent monitoring of corporate reputation should be an essential component of corporate strategy. This would enable emerging reputational risks to be exposed and managed. Companies can gain insight

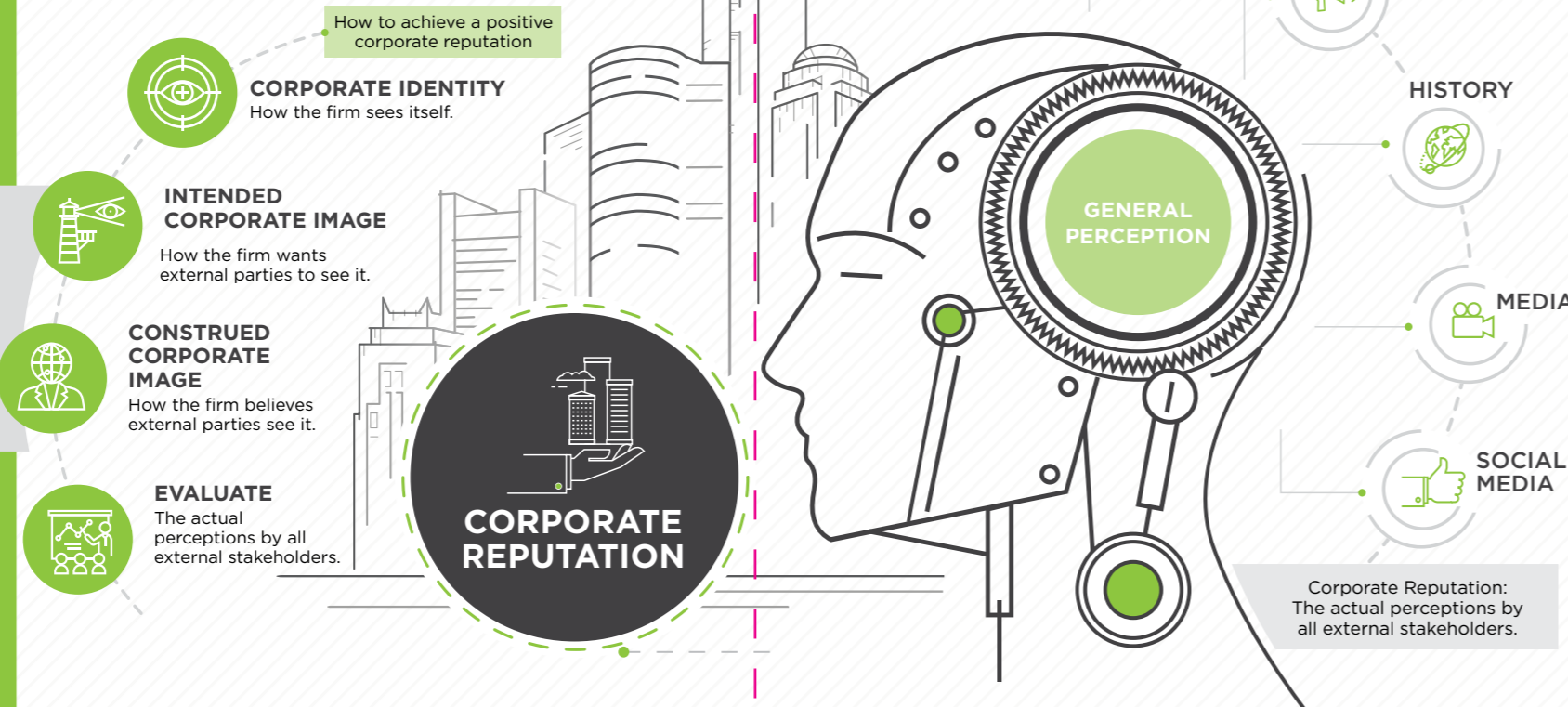
<sup>1</sup>The Cost of a Bad Reputation. (2014). Retrieved January 10, 2017, from <https://www.reputationmanagement.com/blog/the-cost-of-a-bad-reputation/>

<sup>2</sup>Aon Oxford Metrica Reputation Review. (2012). Monitoring Reputation in an Interdependent World. Retrieved from [http://www.aon.com/risk-services/thought-leadership/reports-pubs\\_2012-oxfordmetrica-reputation-review-report.jsp](http://www.aon.com/risk-services/thought-leadership/reports-pubs_2012-oxfordmetrica-reputation-review-report.jsp), accessed: 10/01/2017

into the effectiveness of a chosen course of action by monitoring an event as it unfolds and obtaining independent feedback. Strategic planning at executive level is crucial to ensure mistakes from the past are not repeated, and that future risks are avoided or managed to ensure the least possible impact on a company's reputation<sup>2</sup>.

## > WHAT IS REPUTATION?

Developing, building and maintaining a good corporate reputation is essential for every organisation in society. However, despite agreement on the importance of this asset, there is little consensus on the definition of reputation. In order to effectively measure reputation, a comprehensive definition needs to be formulated.



In this regard, Magna Carta Reputation Management Consultants and Yellowwood hosted focus groups with South Africans from a variety of backgrounds, and conducted in-depth interviews with industry influencers - including journalists, economists and senior managers. From these insights, and guided by previous research by Schreiber<sup>3</sup>, we were able to construct a definition of corporate reputation from a consumer and industry analyst perspective.

Reputation was identified as the perceptions that people in general hold of a company. These perceptions are gained through personal and professional experience, word-of-mouth, advertising and the media - especially social media. An organisation's history also influences its reputation as this is a track record of whether the company has integrity and good leadership. Importantly, the perception of how companies treat their employees and, reciprocally, the way in which employees represent their companies was highlighted as essential to reputation in all groups.

Based on the responses and existing theory, the following features of reputation were identified:

Reputation is formed through a complex exchange of a multitude of factors based on an organisation's actions, behaviours, communications and stakeholder relationships.

Reputation is built over time. Performance must have been consistently good over the years to establish and maintain stakeholder trust.

A good reputation generates credibility and trust, which, once in place, will grow reputational resilience (the ability to withstand negative publicity).

Reputation is shaped by a variety of stakeholders - clients, employees, investors, the community and other stakeholders.

Reputation is external to the company<sup>4</sup>

<sup>3</sup>Schreiber, E. S. (2011). Reputation. Institute for Public Relations. Retrieved from <http://www.instituteforpr.org/reputation/>

<sup>4</sup>Eckert, C., & Gatzert, N. (2015). Modeling Operational Risk Incorporating Reputation Risk: An Integrated Analysis for Financial Firms. Available at SSRN 2557270

<sup>5</sup>Hofmeyr, J., Goodall, V., Bongers, M., & Holtzman, P. (2008). A new measure of brand attitudinal equity based on the Zipf distribution. International Journal of Market Research 50(2), 181-202.

## > THE AFRICA REPUTATION INDEX (ARI)

Magna Carta Reputation Management Consultants undertook an ambitious and robust research study to evaluate South African organisations in five different sectors: car manufacturers; food retail (FMCG); financial services; public services and telecommunications. With assistance from Yellowwood, we designed, piloted a survey, and collected data from a sample of 1 306 South Africans. Respondents were asked to select a familiar sector, identify different companies in the sector, and then rate the companies on a series of 44 reputational drivers that had been identified from the focus groups and in-depth interviews. These 44 drivers are grouped into 9 reputational attributes. As a result, each respondent may have rated a different group of companies within their preferred sector.

## > A BRIEF OVERVIEW OF THE SECTORS EXPLORED

**TELECOMMUNICATIONS**

2016 was an eventful year in the media for the South African telecommunications sector. Major companies received negative press following fines, lawsuits and inappropriate public comments.

**FOOD RETAIL (FMCG)**

In the food retail sector, the drought experienced in sub-Saharan Africa had a significant negative impact causing an increase in the cost of food production. Consumers remain wary of food retailers and constant increases in basic items, with many taking to social media to question high prices.

**FINANCIAL SERVICES**

Banks experience daily reputational risks from customer complaints around fees, poor service, IT issues, theft and other related issues. 2016 saw serious reputational issues, such as the proposed government inquiry into the 'Big 4' banks closing

down accounts of politically exposed persons. Major banks had to navigate questions regarding banking security in the wake of theft and credit card fraud.

**CAR MANUFACTURERS**

In the motor vehicle sector, consumers began shopping down due to the weak economy, resulting in fewer vehicle sales than projected, particularly in the higher end of the market.

**PUBLIC SERVICES**

Perceptions of government organisations are varied due to the range of services offered by the state. Some public service initiatives have put extensive effort into providing effective and efficient delivery of their services which has shifted public perception of these agencies.

## RANKING REPUTATION

For each company mentioned by respondents, we calculated an Attitudinal Equity (AE) score. Attitudinal Equity is a measure of brand strength based on how satisfied consumers are that a brand meets their needs<sup>5</sup>. Based on this result, it is possible to understand which of our reputational drivers contributed to the organisation's Attitudinal Equity (AE) score.

Each attribute then received a weighted score to create a total index of 100. This allowed us to determine which reputational drivers (and their over-arching attributes) were the most important in each specific sector, and give each included company a Reputational Index (RI) score. If a company is best known for drivers that do not contribute strongly to their AE, we would advise that the relevant organisation maintain the driver, but also pursue drivers with a stronger impact on AE in the sector. This would be especially powerful if there is a driver that no competitor is currently pushing.

