

BRANDS ACQUIRE SOCIAL RESPONSIBILITY; THE CASE OF SHELL

Brands help consumers buy efficiently by providing assurances of various kinds. Products are validated and preferred lifestyles guaranteed. With such value added to products, consumers are willing to pay premium prices. Now consumers are demanding another assurance: that the companies they buy from be socially responsible.

Cause-related marketing doesn't go far enough. Consumers expect socially responsible business decisions such as excluding employment of child labor and showing stewardship of the environment. "Brands are the ultimate accountable institution. If people fall out of love with your brand, you go out of business," Rita Clifton, CEO of Interbrand, reminds business.

SHELL'S VALUED BRAND WAS DAMAGED

Brand reputation is highly important for a global corporation. For Shell, it is the corporation's "largest single intangible asset," valued at between \$3.5 billion and 5 billion, says Raoul Pinnell, vp of global brands and communications in London. Its reputation affects transactions with its 20 million daily customers and 58,000 retail sites in more than 120 countries. Besides the connection with customers, reputation influences government awards of massive contracts and joint ventures with other companies.

Hurt badly from bad press and consumer boycotts because of two events – its decision to sink an obsolete oil storage rig in the North Sea and its alleged complicity in Nigeria's execution of Ken Saro-Wiwa and other Ogoni leaders – Shell initiated a multilevel struggle to transform itself. At retreats in 1995 and 1996, management consultants asked directors and top execs to "hold up a mirror" to reflect their own practice. They were asked to write personal stories expressing their vision of where they had been and where they wanted to go.

Shell commissioned a report, *Society's Changing Expectations*, based on extensive roundtable discussions with Shell execs, stakeholders, academics and journalists. Also included were focus groups with young people and consultations with pr professionals in all regions of the world. Report's central finding: "Shell's reputation had suffered because the company's behavior had not kept pace with society's changing expectations." Consultants concluded, "economic, social, and technological changes have created a more cynical, questioning, indeed challenging attitude toward institutions."

SHELL'S TRANSFORMATION

"We realized that we were a company of head but not heart. Brand values are about treating people with respect. No company is squeaky-clean and always right, but companies can change and I'm proud of Shell," says Mark Wade, Shell's leading thinker on sustainable development.

Now, Shell has incorporated human rights into its business principles, publishes annual reports on its ethics, and runs a Website that allows virulent criticism. Its new values are "honesty, integrity, respect for people, as well as professionalism, pride and openness, sustainable development and human rights." One of Shell's critics, Ledum Mittee, Ken Saro-Wiwa's successor as leader of the movement for the Survival of the Ogoni People, is skeptical of Shell's transformation. "Shell is excellent at public relations but it is terrible at turning words into reality." The person charged with the responsibility of reconciling words and reality is Shell's newly appointed vp of external affairs, Mary Jo Jacobi, who on October 1 succeeds Bart de Beer. Jacobi joins the company from Lehman Brothers, the American investment bank, where she was managing director, chief brand strategist and global head of marketing and corporate relations

MANAGERS AND PROFESSIONAL STAFFS RATE MOST DESIRABLE AND LEAST DESIRABLE CEO POSITIONS; WAL-MART LEADS

Wal-Mart is the company most business executives would like to lead because its performance is coupled with a positive reputation and corporate image, according to a survey by Brouillard Communications (NYC). 500 upper and middle managers and professionals in companies with 500+ employees answered the questions: "Of which major company would you most like to be named CEO?" "Which corporation would you least like to lead?" "What are the reasons for your choices?" *Performance and reputation* were key factors with respondents' answers. Subjective issues, like *product appeal* and *company values*, were influential as well.

The survey was not meant to cast doubt on or to endorse the jobs being done by the CEOs named. Instead, study shows that "managers and executives do respond to corporate reputation **on a personal level**, a truth that companies sometimes fail to heed in their zeal to maintain market share or support their stock prices. We've long counseled companies that, even in a B2B context, **customers and other key audiences respond emotionally to corporate news** – the CEO findings reinforce that it's about hearts and minds," explains Brouillard president Bill Lyddan.

MOST DESIRABLE CEO POSITIONS ARE:

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|--------------|--------------------|---------------------|
| 1) Wal-Mart | 4) AOL/Time-Warner | 7) General Electric |
| 2) Microsoft | 5) Exxon-Mobil | 8) Pfizer |
| 3) Coca-Cola | 6) Home Depot | 9) Walt Disney |
| | | 10) Eli Lilly |

- The overriding appeal of **Wal-Mart** appears to be its demonstrated ability to deliver the goods – "which still has a lot to do with corporate reputation, more than the appearance of being cutting edge." (Survey was conducted just before Wal-Mart was hit with a sex discrimination class action suit on June 19. Twice as many women as men cited it as their first choice – 23% vs. 11%.)
- **AOL/Time-Warner** is a coveted place to work because of corporate advancement.
- **Home Depot** scored the lowest on innovation and creativity (0%), but the highest for being good to its employees (26%), tops in customer loyalty (16%), and right near the top with Microsoft and AOL/Time-Warner on turning in a strong corporate track record – "proof that fundamentals can enhance reputation, especially for customer-facing businesses," notes Lyddan.

LEAST DESIRABLE CEO POSITIONS ARE:

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|------------------|--------------------|--------------------------|
| 1) Exxon-Mobil | 4) AOL/Time-Warner | 7) Bridgestone/Firestone |
| 2) Philip Morris | 5) Cisco systems | 8) Verizon |
| 3) Microsoft | 6) AT&T | 9) Lucent Technologies |
| | | 10) Intel |



- **Exxon-Mobil** was the only company blasted for environmental concerns and unfair pricing practices.
- 64% named **Philip Morris** because of an outright dislike of the company's products. It also led the pack in "untrustworthiness" – 24% citing this as their prime reason for turndown.
- "Here are two longstanding and profitable companies – Exxon-Mobil is No.1 on the Fortune 500, Philip Morris stands at No.11 – and despite generally positive performance measures they are both still racked by public relations problems that have a real, ongoing impact on their reputations."

SOME COMPANIES SHOWED UP ON BOTH LISTS.

- **Microsoft**, #2 on the desirable list with a 15% total response, is #3 on the undesirable list with an 11% total response. Its positive attributes include: strong/stable (32%), innovative/creative (44%), help community (3%), good reputation (3%), ideals/philosophy (1%), like products/services (10%), I can make a difference (13%), fun/interesting (3%). Its negative attributes include: controversy/lawsuits/bad pr (53% – this may have tipped the scales against Microsoft in the winners' column), untrustworthy (9%), volatile/industry in trouble (15%), dislike products (17%).
- Chief complaints for **AOL/Time-Warner** ranged from poor customer service to a sense that the company seemed unstable from so much merger activity.

"Because reputation is filtered through so many points of view, in so many cultural contexts, even the most admired names in American business have to constantly fight the rust that can build up on multiple fronts," notes Lyddan. "You have to keep a shine to the things that matter and hope you don't get caught under a storm of controversy." (More from www.brouillard.com, 212/210-8660)

PR MORE EFFECTIVE AS COUNSELOR THAN SPOKESPERSON

Little empirical evidence exists to show whether pr practitioners are credible sources of information to the general public, writes Coy Callison whose research on this topic is published in the *Journal of Public Relations Research* (Vol.13, No. 3, 2001).

WHAT THE LITERATURE REVEALS

Callison reports the following:

- **Competence (expertise) and trustworthiness (integrity)** are the most widely accepted components of communicator credibility.
- **Trustworthiness and honesty** rank as criteria for accuracy and go beyond a source's knowledge, expertise, experience, sincerity, unbiased nature, likeability and motivation.
- PRSA's 5-year credibility study, released in 1999, was to produce **a measure of the credibility that the public attributes to those who provide information. PR specialists ranked low** – 42nd out of 44 public figures. Supreme Court justices ranked 1st with a credibility score of 81.3. PR specialists received only 47.6 points, ranking just above tv or radio talk show hosts and famous entertainers, but below famous athletes, student activists, and pollsters, to name a few.
- Even **within the profession there is a negative view**. Only 11% of educators, PRSSA chapter presidents and practitioners say "the current image of pr and its practitioners is favorable."
- **Of students enrolled in introductory pr courses**, half agree that "honesty is a relative term" in pr; 71% agree or strongly agree that pr specialists "make flower arrangements of the facts."

- *Survey participants were more persuaded and found the source more credible when they believed that the source had taken a position that did not reflect his or her knowledge bias.*

To date, most data have been generated through opinion surveys – evaluating pr practitioners with no context. Callison used two newspaper articles – one neutral (introducing a product) and one negative (reporting a fuel spill) – with blatantly identified public relations spokespersons and with sources whose exact jobs within the organization are unknown.

CALLISON'S FINDINGS

... offer insights into the ability of pr practitioners to serve as credible spokespersons:

- Public relations professionals and the organizations they represent are **perceived in a more negative light** than are generic spokespersons and companies not utilizing pr staff as press contacts.
- Organizations represented by an identified pr spokesperson are **perceived as significantly more dishonest** and less likely to be telling the truth than organizations represented by a spokesperson not perceived to have roots in the pr department.
- Respondents are not as quick to downgrade a spokesperson's credibility because of pr affiliations as they are to **doubt organizational credibility** when a pr practitioner serves as spokesperson. "It is possible that audiences are simply more skeptical of organizations as a whole than they are of individual employees."
- Until further research is conducted, writes Callison, "the best advice may be for practitioners simply to stay out of the spotlight; prepare for public scrutiny when announcing negative news; and filter organizational information through other company sources, such as CEOs or managers, when possible." [**Be strategic counselors with increased emphasis on training others**, was Pat Jackson's sage counsel frequently found in these pages.]

(More info from Callison at School of Mass Comms, Texas Tech Univ, P.O. Box 43082, Lubbock, TX 79409-3082; e-mail, coy.callison@ttu.edu)

MAJOR CUTBACK IN PUBLIC RELATIONS / PUBLIC AFFAIRS SPENDING IN 2001

PR/PA budgets declined 29% from \$3.1 million in 2000 to \$2.3 million this year, according to the ninth annual Thomas L. Harris/Impulse Research Public Relations Client Survey. Respondents (1,515 of 3,452 client executives who received the questionnaire) represent a cross-section of all major industries.

Cuts were greatest in internal budgets, which suffered from across the board corporate cost cutting. They declined a sizeable 40% in contrast to external pr budgets – those expended on pr firm services – which declined 17% from \$1.5 million to \$1.3 million. Cuts in specific areas include:

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| • Corporate media relations:
down from \$758,000 to \$585,000 | • Special events:
down from \$329,000 to \$203,000 |
| • Internal communications:
down from \$329,000 to \$180,000 | • Community relations:
down from \$234,000 to \$113,000 |

The good news in this survey is that client satisfaction improved in 2001: 69% say their pr firm's performance was outstanding or very good; 81% report being very (48%) or somewhat (33%) committed to their pr firms. (More info from Bob Novick, pres, Impulse Research Corp. 310/559-6892.)