



What is corporate reputation and how does it matter?

Prepared for:

Canadian Investor Relations Institute

Executive Insight Series ▶▶ Corporate Reputation



About INNOVATIVE

INNOVATIVE is a national research and strategy firm that helps clients answer critical questions in order to assess public and corporate affairs challenges, identify and evaluate potential solutions, and monitor success.

We use research to develop and evaluate communications strategies and strategic action.

Services

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Surveys

Focus Groups | Elite
Interviews

Policy Analysis

Media Content
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Syndicated Studies

Canada This Week

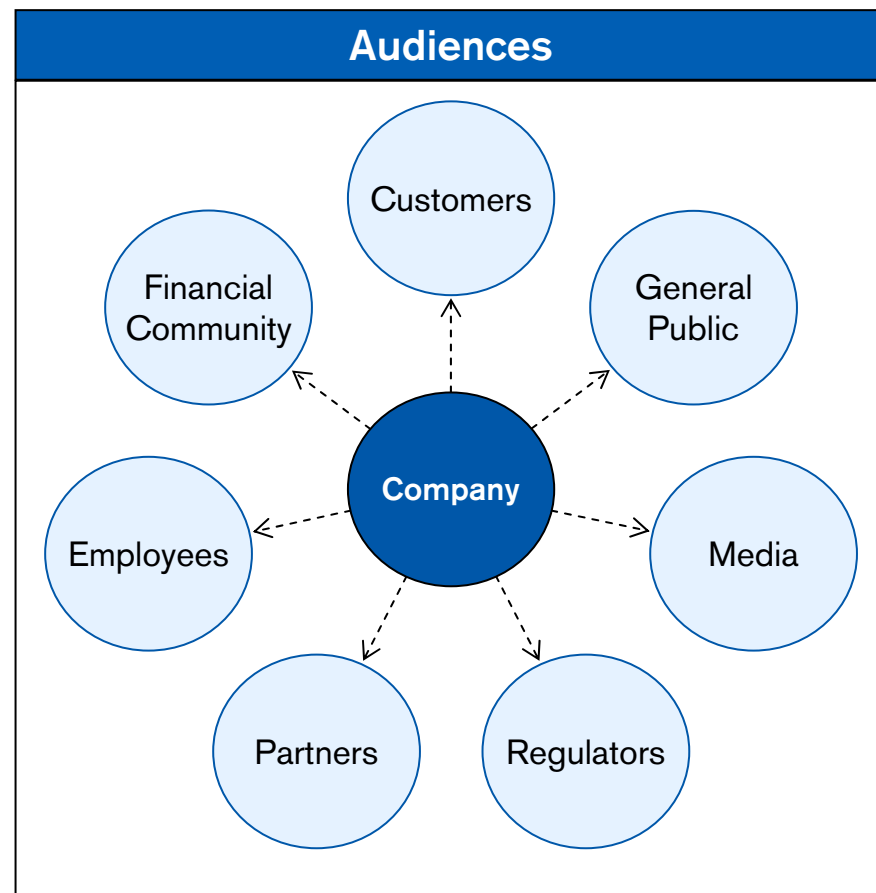
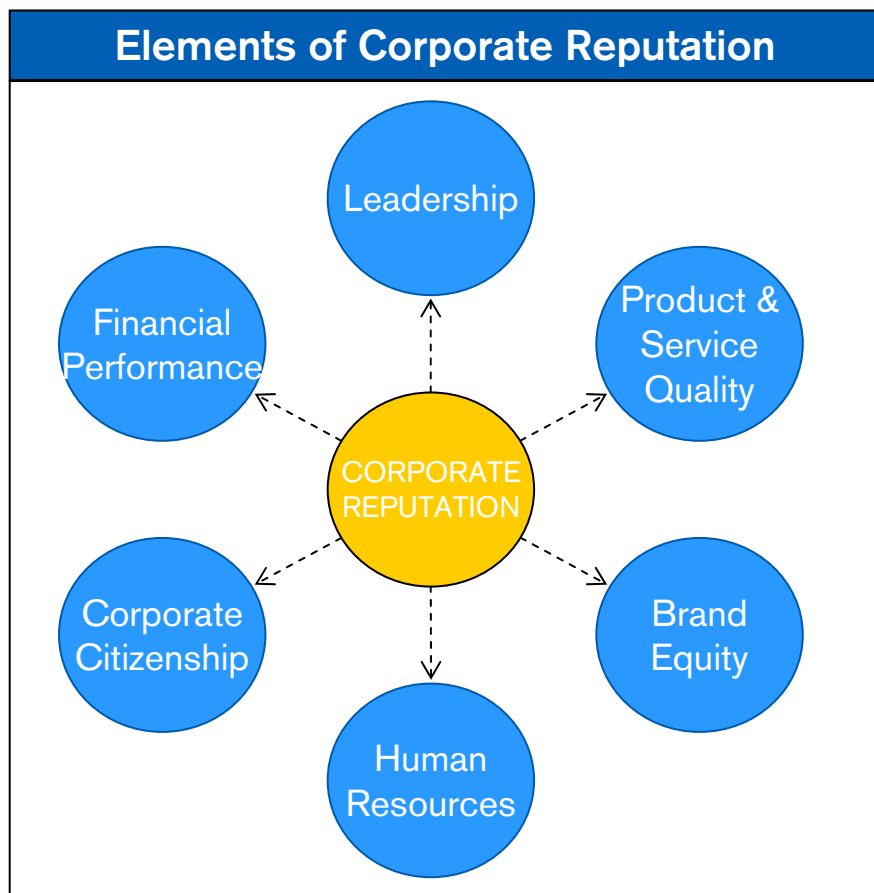
Canada This Month
Ontario This Month

Understanding
NIMBYism

Canadian Aboriginal
Affairs

What is Corporate Reputation?

The reputation of an organization is comprised of the combined perceptions of its key stakeholders – the audiences that judge an organization based on its actions, behaviours and communications.



Elements of Corporate Reputation

Elements of corporate reputation affect the perceptions of stakeholders

Leadership

perceptions of management team: ethics, integrity, ability, trust

Product and Service Quality

product- and service-related elements, customer service and care, product | service value, innovative offerings

Brand Equity

organizational identity, brand recognition, key messages, values

Human Resources

employment equity, diversity, employee treatment

Corporate Citizenship

community involvement, sponsorship and charitable work

Financial Performance

investment value, profitability, financial communications, corporate governance

CASE STUDY ►► Reputation Management

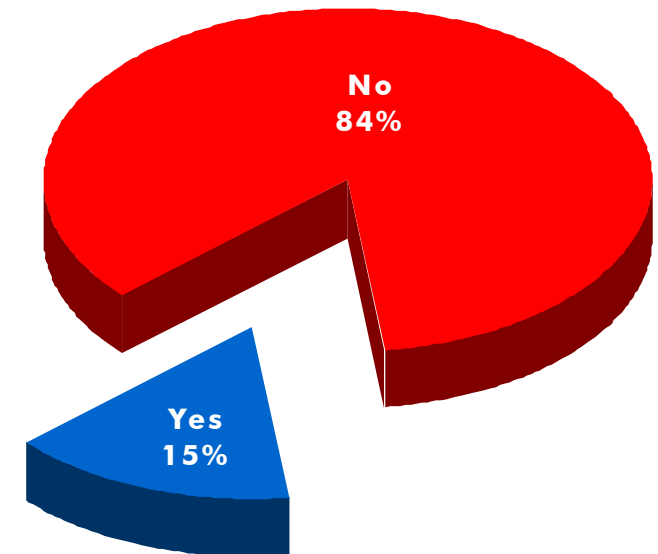
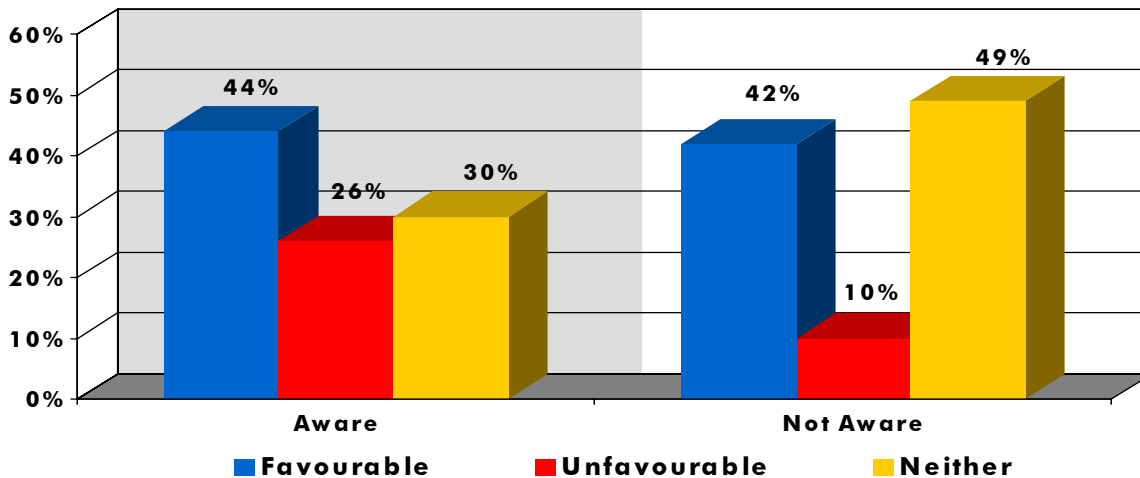
RBC Financial Group: Transaction Processing Delays



Between May 31–June 4, 2004 customers of the Royal Bank faced transaction processing delays. The Royal Bank's problems with transaction processing delays did not go unnoticed.

Did the disruption caused by the transaction processing delays at the RBC Royal Bank directly affect you in not being able to process such things as bill payments, mortgage payments or other transactions?

Impression of RBC by Awareness of Disruption



Individuals who were personally affected by the transaction processing delays were more – not less – favourable toward the Royal Bank (49%) than those who weren't affected (43%).

56% Satisfaction with problem resolution
31% Dissatisfaction with problem resolution
8% Of problems were unreported

Source: June 2004, *Ontario this Month*

Our latest study

Goal of this Study ▶▶

- To assess the impact of corporate reputation on both positive and negative choices.
- To show how corporate reputation cuts across various stakeholder groups.

Approach ▶▶

- Canadians were asked to evaluate several companies in 10 different sectors in terms of overall reputation and 8 specific attributes.
- They were then asked to make positive AND negative choices in each sector:
 - **Employment:** *what company would you most | never want to work for?*
 - **Community:** *what company would you most | never welcome in your community?*
 - **Investment:** *what company would you most | never want to invest in?*
 - **Consumer Choice:** *what company would you most/never want to buy something from?*

Sample ▶▶

- This study was conducted among members of INNOVATIVE's Canada 20/20 online research panel between October 1st and October 28th, 2007.
- The study included 5,311 responses eligible for inclusion in our analysis.

About this study {continued}

Sectors Analyzed ▶▶

- 10 sectors
- 60 well known companies

**Wireless
Carriers**

**Automobile
Makers**

**Insurance
Companies**

**Home
Improvement
Stores**

**Prescription
Drug
Manufacturers**

**Gas Service
Stations**

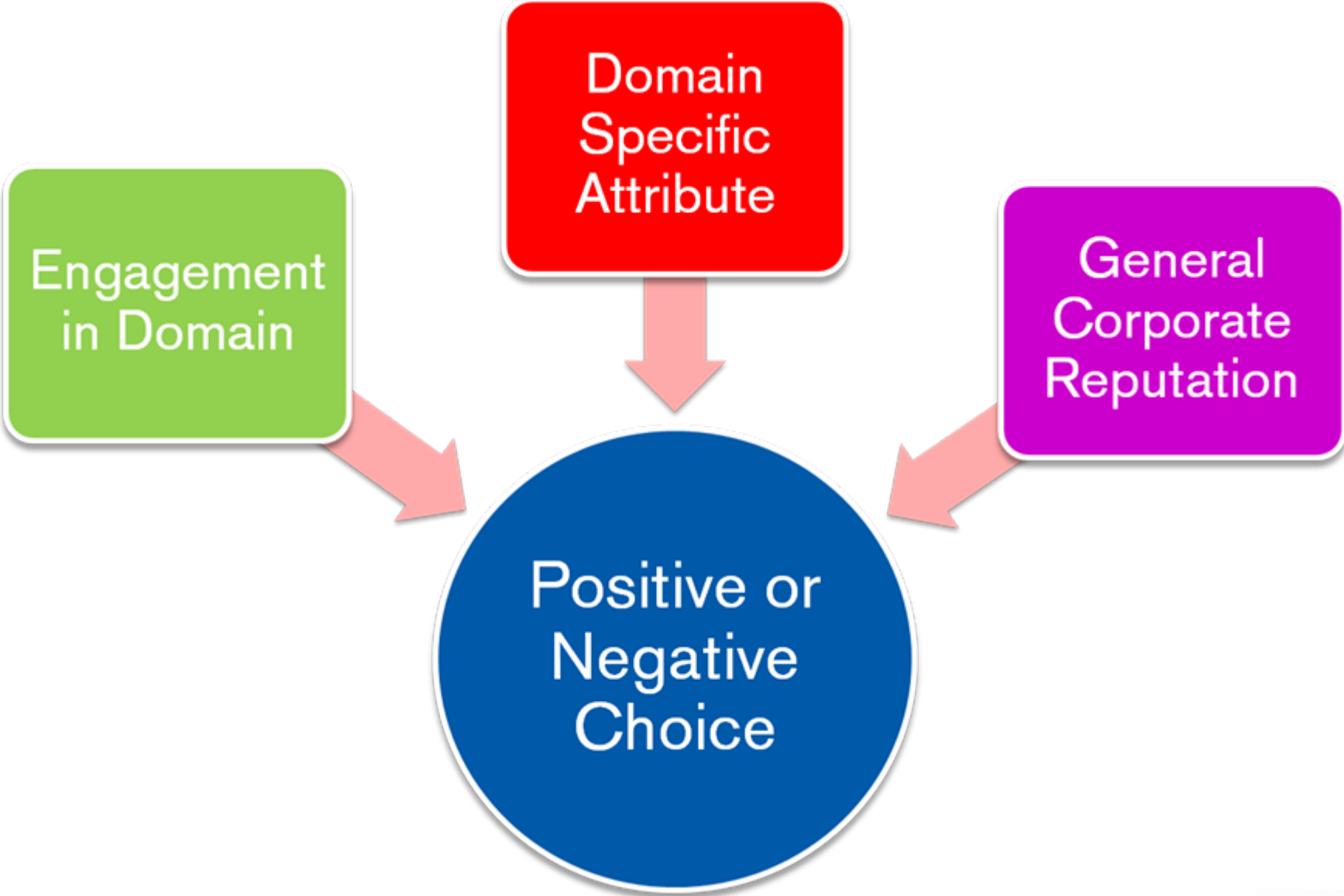
**Retail
Department
Stores**

**High Street
Fashion Stores**

Banks

Airlines

Modeling the Impact of Corporate Reputation



Impact of Corporate Reputation among Active Investors

	Decision to Invest		Decision Not to Invest	
	Corporate Reputation Effect	Perceived Return Effect	Corporate Reputation Effect	Perceived Return Effect
General Public	2.5	2.7	2.6	1.4
Active Investors	2.7	4.2	2.4	1.9

- **In the decision to invest**, *overall corporate reputation AND perceived returns* matters more for investors than the general public. However, perceived returns are more important than reputation for both these groups.
- **In the decision not to invest**, active investors weigh *perceived returns* slightly more heavily than the general public. On the other hand, the general public places greater emphasis on *overall reputation* compared to investors when it come to deciding never to invest.





Greg Lyle

Managing Director

INNOVATIVE

Direct: 416.642.6429

Email: glyle@innovativeresearch.ca

Innovative Research Group, Inc. | www.innovativeresearch.ca

Toronto

350 Bay Street, 3rd Floor
Toronto ON | M5H 2S6

Vancouver

1055 West Hastings, 3rd Floor
Vancouver BC | V6E 2E9

Montreal Office

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