

ONLINE CORPORATE REPUTATION AND CRISIS MANAGEMENT

AS THE NUMBER OF INTERNET USERS HAS SKYROCKETED, THERE'S NO QUESTION THAT THE BLESSING OF SPEEDY COMMUNICATION CAN EASILY BECOME THE CURSE OF "WORD OF MOUSE." CURRENTLY, 71% OF AMERICAN ADULTS ARE ONLINE. THAT'S 150 MILLION PEOPLE WITH THE POWER TO INSTANTLY RELAY INFORMATION, HELPING "WORD OF MOUSE" SPREAD LIKE LIGHTNING.

The Internet, both websites and emails, is playing an increasingly prominent role in how consumers receive information. Businesses have seized on the Internet as a tool for corporate image building, pouring billions of dollars into online advertising and company websites.

But the same characteristics that make the Web an ideal medium for positive communications—immediacy, speed, ease of use, and the pass-along effect—are also ideally suited to the spread of negative publicity. Most people don't go looking for negative news, but they pay attention when they hear it. Critical or false information can undermine a company's efforts and jeopardize the trust they have invested heavily in building.

The good news is that consumers are discerning in forming their impressions. The bad news is that many are apt to share negative information, especially if it impacts their personal finances, health or public security, or is from a credible source. One person tells six friends, who each tell six friends and so on and so on,

turning a seemingly innocuous message into a wildfire. Moreover, research shows that many recipients will question their affiliation with a company, organization, brand or person who is the subject of negative publicity.

Increasingly, professional communicators must grapple with the viral spread of electronic messaging and the seemingly wild, untamable force it can represent.

To assist in that effort, this issue of *The Wirthlin Report* examines how bad news about organizations is spread on the Web. How likely are people to pass on bad news they receive via the Internet? Are some kinds of bad news more likely to be passed on than others? What sources of this type of information are credible, which lack "passing power?" Who is most likely to pass on bad news and in what form do they do so?

We recently conducted two online surveys among Internet users in the United States and the United Kingdom via our Internet research partner, Greenfield Online, on this topic.

HIGHLIGHTS

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Websites matter

Two in five receive negative news and information via websites

3

The good news?

Most people try to validate rumors before forwarding

3

Word of Mouse

Those who forward negative emails send them to six people, on average

4

The bottom line

Negative online publicity hurts

4

The power of "Webactivists"

About 10% of the online population influence other online users

5

A caution to companies in the UK

Twice as many online users in the UK are "Webactivists"

6

Strategies to manage online reputation



What makes email unique is the ease with which messages can be forwarded to others

MEDIA MATTERS

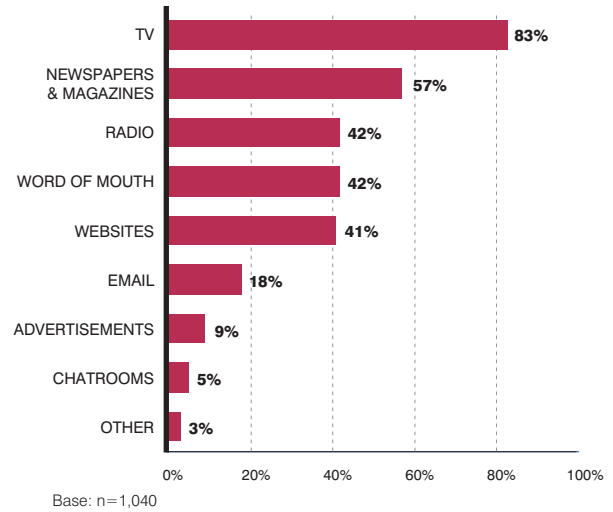
The Internet continues to change patterns of communication, impacting the spread of information throughout the world. While television continues to be the primary source for news and information, Internet-based vehicles—web-sites, email and chatrooms—have also emerged as popular sources for information.

Online users receive negative news or information from the Internet as often as they do radio or word of mouth, illustrating the importance of this medium as a channel of communication.

About four in ten (41%) online users say they get their negative information from web-sites, while significantly fewer (18%) get negative news from emails. But what makes email unique is the ease with which messages can be forwarded to

TV Rules as a Source for Negative News

QUESTION: How do you typically learn about negative news or information that may criticize an issue, organization, or corporation?



others. What people do with negative emails was the major focus of our research. We discovered that it depends on the personal relevance of the issue, the source of the email, and

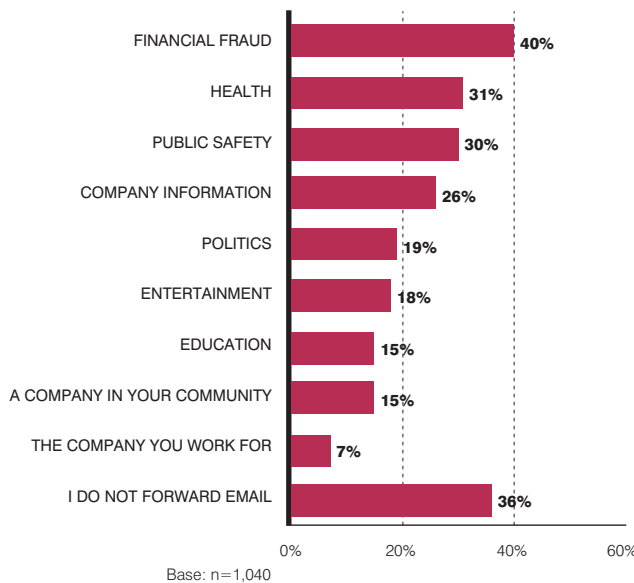
whether it rings true with other available sources of information.

WHY SHOULD I CARE?

Personal relevance determines what people do with negative news. The more adverse the perceived impact on the individual if the rumor is true, the greater the likelihood the email will be forwarded. So, issues that could possibly impact the recipient's finances, health or public safety are much more likely to be forwarded than other types of emails. Four in ten online users say they would forward messages about financial fraud or scams. Three in ten cite health and public safety issues, and one in four say they would forward emails critical of a company whose product or service they use.

A Question of Relevance: Which Negative Emails Get Forwarded?

QUESTION: When receiving email criticizing an issue, a company, or an organization, which of the following types are you likely to forward to your circle of friends and associates? (Check all that apply)



CONSIDER THE SOURCE

Online users are more likely to forward a negative story if it

originates from a credible source. Just under four in ten say the source impacts whether they forward a message to a great extent, with an additional one in four saying it impacts it to a moderate extent.

What sources are perceived as most credible? Published pieces still carry the greatest ring of authority. Messages from a friend or associate are next, followed by messages from a company representative. Unknown sources score very low on credibility, a by-product of the flood of spam that has taught people to be much more skeptical of information that comes from those who hide behind the veil of anonymity.

GOOD NEWS: THE ONLINE RUMOR MILL SEEKS THE TRUTH

People today have greater access to information, unlike in the past, when we all relied on three major networks and one daily newspaper to tell us what to think. Because of this, they are more inclined to be critical of the information they read, rather than accepting what they hear at face value.

What do people do when they receive an email that is critical or negative? Forty percent just delete or ignore the message.

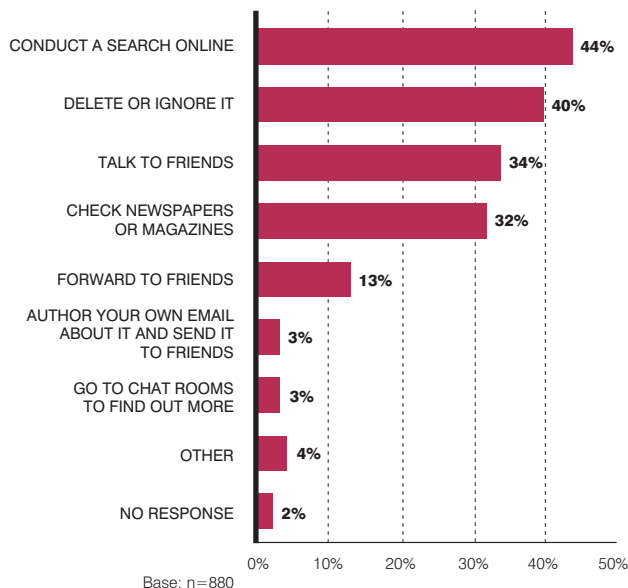
However, a more common reaction is to investigate further.

13%

OF PEOPLE WHO GET NEGATIVE EMAILS SIMPLY FORWARD THEM TO OTHERS WITHOUT CHECKING TO SEE IF THEY ARE TRUE FIRST.

People Tend to Validate Negative Online Communications

QUESTION: What do you typically do after receiving online communications about an issue, organization, or corporation that peaks your interest?



A plurality of online users (44%) say they would conduct a search online to try to verify the truth of the story or rumor. About a third (32%) would look in offline news sources such as newspapers or magazines to check the facts. Another third (34%) would talk to friends. Just 3% would go into chat rooms to find out more.

Our findings suggest that in the online realm, the thrust of companies' efforts should be on Web site content and e-mail communications and far less on chat room intervention. Moreover, the fact that consumers are likely to try to validate these stories is good news. If companies are proactive in squelching rumors using a variety of arsenals including their Web sites, articles in major online publications and print media, they can curtail a lot of the poten-

tial damage to their reputations.

THE POWER OF WORD OF MOUSE

But not everyone validates information or rumors before sharing them. A small but important minority (13%) of online users surveyed say they simply forward negative emails to their circle of contacts without first checking the facts. It is this phenomenon that causes rumors to spread rapidly. A handful (3%) even author their own email about the topic, in effect adding credibility to the message.

The velocity and power of forwarded messages, particularly in crisis situations, is powerful—messages are propelled into online communities way beyond the sphere of the initial contacts. In these instances, the written word has the power to quickly tarnish or enhance a



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Natalie Jobity, Internet Research and Strategy Expert

Half of online users say they would withdraw their support of a company or organization after receiving or reviewing credible negative publicity

company's reputation. Managing "word of mouse" (a phrase that is often used to describe the dynamic of information flow over the Web) is key to driving online corporate reputation.

Our research shows that among those that forward negative emails, on average they forward messages to about 6 individuals. Those that forward to the largest proportion (10 or more people) tend to be young professionals, a coveted target of marketers.

NEGATIVE ONLINE PUBLICITY HURTS

This wildfire effect of rumors spreading over the Web poses a significant challenge and opportunity for corporations, organizations and government agencies. Negative news has more momentum than positive news because people are more inclined to share negative experiences, views and information to their circle of contacts.

A study conducted by Burson-Marsteller found that online influencers will forward positive messages to an average of 11 people, but they will share negative sentiments with an average of 17 people. However, while negative messages may reach a larger audience, it is important to note that the phenomenon of "viral communication" works both ways. Communicators can leverage this fact by injecting positive



messages into the communications stream.

In more ways than one, negative stories have a significant impact on people's willingness to support the company or organization that is affected. When asked, half of the online users say they would be inclined to withdraw their support of a company or organization experiencing negative publicity. This includes refusing to buy a company's products or use their services, questioning their current affiliation, or deciding not to be associated with the company or organization. The trickle down effect to a company's bottom line is obvious. Depending on the severity of the rumor, this type of negative publicity can impact perceptions not only of a company's consumers but also its employees or potential job candidates.

SPECIAL FOCUS: "WEBACTIVISTS" HOLD THE POWER TO MAKE OR BREAK A REPUTATION

A number of terms have been coined in recent years to identify the key opinion leaders on the Internet: "prosumers," "e-fluentials," and most recently "Webactivists." These individuals are thought to represent about 10-25% of the Internet population, depending on how they are defined. They are seen as key influencers of the purchasing decision of others and actively share positive and negative product experiences with other consumers. These are the type of people who are quick to give product reviews on e-commerce websites, using the Web as their "virtual soapbox."

In our study, we categorized 11% of our online sample as Webactivists, which includes those who have participated in one of the following activities:

- Been an active member of a special interest organization or consumer watchdog group, or
- Participated in a protest rally or march related to consumer safety or environmental issues

Webactivists have a distinct behavioral profile which highlights their sphere of influence over the rest of the online community. Our research has identified a few key traits of these Webactivists:

They are consumers of information and information repositories

One in four say they receive critical emails about a company very frequently compared to 7% of non activists. They are half as likely to delete such messages (22% compared to 40% among non activists).

They are more critical and discerning of the information they read than non activists

60% (vs. 43%) conduct an online search to validate a rumor, 45% (vs. 32%) check publications to validate, and 52% (vs. 34%) talk to their friends about it. Additionally, Webactivists place a higher degree of importance on the credibility of the information they receive, with over half (55%) indicating that the source of an email impacts whether they forward it to a great extent, compared to 38% of non activists who feel similarly.

They share information readily

81% of Webactivists forward emails compared to less than two thirds on non activists (63%). Moreover, they forward information to a wider circle of friends and family. Sixteen percent forward to 20 or more people compared to 6% of non activists.

They walk the talk

The influence of Webactivists is most compelling because of the measures they are prepared to take against companies who are out of their favor. After reading negative publicity they are much more likely than non activists to do the following frequently:

- Refuse to buy a company's products or support them (77% vs. 49% of non activists)
- Question their affiliation or potential association with a company or organization (78% vs. 49%)
- View working at the company or organization negatively (69% vs. 43%)

They are influential

They are educated and have higher disposable incomes. This makes them valuable consumers.

Given their sphere of influence, Webactivists' opinions and attitudes can have far reaching repercussions in the online realm. Researchers have observed that one influential online individual has an impact

on the attitudes and behavior of approximately 8 to13 people, rather than the standard 2 people in the offline world. This exponential factor is powerful and can lead to a forest fire effect, whereby news and information can spread faster than it can be effectively managed.

Within an online community, Webactivists can build or destroy a brand, product or company reputation. Understanding who they are and how best to garner their support is critical. Some suggestions for leveraging their influence online include:

- Understand who they are and find out what they think about you.
- Engage them in dialog. Win their support in good times, so they will be a resource to help build positive brand equity and reputation should trouble arise.
- Ensure you have accurate and up to date information on your website, and confront rumors aggressively, realizing that Webactivists tend to confirm rumors online before they spread them.

SPECIAL FOCUS: UK ONLINE USERS ARE A FORCE TO BE RECKONED WITH

In many ways, British online users think and behave similarly to their American cousins across the Atlantic with respect to negative online publicity. As such, the implications for companies needing to manage their reputation in the face of this type of publicity is basically the same. However, UK online users differ from US users in a few key ways:

- Those in the UK are significantly more inclined to rely on word of mouth (62% vs. 42%), websites (47% vs. 41%) and email (26% vs. 18%) for their negative news and information.
- UK online users are less likely than their US counterparts to delete or ignore messages (31% vs. 40%) and more inclined to talk to their friends about them (44% vs. 34%).
- Online users in the UK are high consumers and sharers of information. They are more likely than those in the US (71% vs. 64%, respectively) to for-

Within an online community, Webactivists can build or destroy a brand, product, or company reputation. Understanding who they are and how best to garner their support is critical.

Comparing Online Users: UK vs. US

| | UK online users | US online users |
|---|-----------------|-----------------|
| Top sources of negative communications? | | |
| WORD OF MOUTH | 62% | 42% |
| WEBSITES | 47% | 41% |
| EMAIL | 26% | 18% |
| What do you do when you get negative email? | | |
| IGNORE OR DELETE | 31% | 40% |
| TALK TO FRIENDS ABOUT IT | 44% | 34% |
| PERCENT WHO FORWARD NEGATIVE EMAILS | 71% | 64% |
| PERCENT CLASSIFIED AS WEBACTIVISTS | 22% | 11% |
| WOULD WITHDRAW SUPPORT FOR A COMPANY, ORGANIZATION, CAUSE BASED ON NEGATIVE PUBLICITY | 62% | 50% |

71%

OF UK USERS FORWARD NEGATIVE EMAILS, COMPARED TO TWO-THIRDS OF THOSE IN THE US



“Communication professionals need to ensure they can intercept a negative rumor before its catches fire and have the processes in place to quickly disseminate the facts. An effective Web presence is central to this strategy.”

**Maurice Boissiere
Technology
Consultancy Leader**

ward negative emails regardless of topic, with a higher proportion forwarding messages about financial scams and entertainment. They are also more inclined to share information about companies they are familiar with. This suggests that in crisis situations they can be even more of a threat to a firm that is battling bad publicity.

- UK online users pay more attention to the source of negative emails or rumors in deciding whether to forward them. At the same time, they are more trusting of emails written by friends and personal associates.

- There are a higher proportion of Webactivists in the UK online community—22% of our sample fit our Webactivist profile (compared to 11% in the US), and the data suggests they can be even more damaging to a company's reputation than their American counterparts: They forward more emails, they perceive emails by their friends and associates as credible, they rely on websites and emails for information and they more frequently react adversely when reading negative publicity about a company. To their credit though, compared to American online users, they place greater emphasis on email from sources they perceive as credible.

- Negative publicity can be even more damaging for companies with a British consumer base. A full 62% of UK online users say they are likely to refuse to support a company or buy its products after reading negative publicity.

Companies in the UK or with a British consumer base need to monitor and manage their online reputation with even more scrutiny than firms that deal exclusively in the US market.

IMPLICATIONS FOR CORPORATE COMMUNICATIONS

Given the prevalence of online information and the ease and speed with which negative publicity can spread over the Internet, it is clear companies need to be more mindful of the perceptions that are held about them on the Web. It is no longer an afterthought or a side show.

It is well known that market and public perceptions inherently gravitate toward negative events and high-profile targets. Our research for this report has indicated that negative online publicity can be damaging to a company's reputation by the sheer velocity of email communications.

To manage people's perceptions (whether proactively or in reaction to a crisis), given the exponential impact email forwarding can have, organizations should seek to stop rumors immediately before they spread. This underscores the need for communication professionals to ensure they can intercept a negative rumor before its catches fire and have the processes in place to quickly disseminate the facts. An effective Web presence is central to this strategy.

But while the Web has become a mainstream communications channel, it has not replaced other media choices. So, part of the response should

be to also get accurate information circulated and distributed by credible news outlets using more traditional media.

Targeting email campaigns can be effective as well, if trusted sources are used to communicate the company's positioning, enhancing the likelihood that the messages will be forwarded. Publishing editorials or messages from experts will have the most impact, as they will be perceived as credible and hence forwarded more often. Credibility is also enhanced if the online information comes from a friend or associate. Therefore, in the online world, convincing one person of the importance of your story, cause, or product can help your message get through to many other potential consumers or participants. This is particularly relevant when the issue at hand is crisis management, where the Internet can be used in a company's favor. If possible, companies can attempt to intercept and respond to a large group of influential consumers or Webactivists. This is best done with some proactive processes and measures in place.

WirthlinWorldwide has experience in creating successful communication strategies across all mediums of communication and our experience with Internet modes of communication allow us to use proven methods in an area where effective communication is more difficult to achieve.

METHODOLOGY

The study of US online users was administered using Greenfield Online's weekly omnibus study, conducted

among an Internet representative sample of 1,040 Internet users living in the United States that are a sub-segment of Greenfield's 1.2 million-member Internet household panel. The results are weighted by age, gender, region and other factors to reflect the characteristics of the online population in general. The survey took place between October 9 -12, 2003.

We also conducted an online survey during the week of November 3, 2003 among a representative sample of the UK online population (n=788) to get the perspectives of British Web users, using Greenfield's UK panel.

Greenfield Online is a recognized pioneer in online research. Through our strategic partnership with them, WirthlinWorldwide has access to an online consumer panel of 1.2 million US households. Combining Wirthlin's heritage in strategic communications consulting with Greenfield's online research panel, we are able to provide organizations with the reliable strategic counsel they have come to expect, but with new levels of efficiency and affordability based on robust, innovative methodology.

**WIRTHLINWORLDWIDE'S
INTERNET RESEARCH AND
STRATEGY EXPERTISE**

We are dedicated to research solutions related to the Web. We have helped clients use the Internet more effectively to conduct business and continually use the Internet ourselves as a vehicle to collect data and present results interactively. Our approach to website research is to integrate it with our other strategic research approaches and proprietary tools in order to provide an advanced offering that creates value for our clients. Our capabilities include complete systems to support Customer Loyalty and Employee Commitment tracking and concept testing, from name/logo testing to new product testing using conjoint analysis. Simply stated, we leverage the best technologies to provide our clients with custom solutions to gain critical business insights.

In addition, building on our heritage of research-based consulting for branding, positioning and strategy, we assist organizations in developing and maintaining an effective Web presence. We have developed a wealth of experience specifi-

cally in website assessment research, including usability testing, customer satisfaction tracking, visitor profiling and click path analysis. We have worked with dotcoms and traditional brick and mortar company websites to enhance and support their structures, functioning, taxonomy and usability, or to gain a clearer understanding of customer perceptions.

For more information, please contact Maurice Boissiere at 703-480-1900 to discuss opportunities to leverage the Internet.

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