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## **Corporate Reputation Survey: Best-Known Companies Aren't Always Best Liked --- McDonald's Takes Pounding For Menu Items, Surly Staff; Cheers and Jeers for Microsoft**

By Ronald Alsop

1,303 words

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B4

English

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McDonald's Corp. and Microsoft Corp. are the most visible corporate brands on the planet, according to a new series of reputation studies. People have higher awareness -- and stronger feelings -- about them than about Coca-Cola Co., Nike Inc., Sony Corp. and other global marketers.

Yet high awareness doesn't necessarily translate into high regard. Microsoft does enjoy a strongly positive global reputation, ranking among the top six companies in studies spanning America, Europe and Australia. But McDonald's takes a pounding. Despite its high recognition, it placed in the bottom half of the European rankings and only in the middle of the U.S. and Australian lists. In fact, McDonald's was dead last (out of 15 companies) in Denmark and in the United Kingdom, where respondents repeatedly called its food "rubbish" -- or worse.

Although its "I'm Lovin' It" ad campaign and healthier menu items have helped McDonald's sales rebound in the U.S., many people remain cynical about the company's latest marketing moves. "The so-called healthy choices are just token gestures to appease an unhappy public," said Arnaldo Buzack, an interpreter in Brooklyn, N.Y. "It's like a wolf wearing a lamb's skin. They do as little as they can so they can keep selling unhealthy food full of fat."

McDonald's employees are another sore point. Respondents criticized the poor service from surly cashiers and recommended that the company increase wages and improve working conditions to produce happier, more attentive employees. On the positive side, McDonald's received its best ratings for financial performance.

McDonald's should "stop pushing junk food to children," said one British respondent. But McDonald's believes it has made significant strides in improving its business and its appeal to consumers. "Customers and record sales results continue to validate what McDonald's has been focusing on during the revitalization of our business -- even more choice and variety on our menu, improved service and our compelling marketing campaign," says Anna Rozenich, a spokeswoman. "We will continue to listen to our customers."

As for Microsoft, people generally praise it for its financial performance, vision and leadership. But it draws some jeers about its market dominance and glitches in its software. "I truly believe that Microsoft would love to be a complete monopoly," said Terry Rodgers, a painting contractor in Lubbock, Texas. "Still, I feel some respect for Microsoft because it has made an awful lot of money while producing software that has proven very useful."

A British respondent called Microsoft a "corporate shark," while a German respondent said he considers its marketing department the best in the world. But then he added, "I am frustrated every day with the company's programs and their failures and crashes."

Joanna Fuller of Microsoft Community Affairs says: "We place a high premium on customer and partner feedback, so we're constantly working to do better -- to make better products, provide better service and build stronger industry and community relationships. We think that type of effort is critical to our success."

What's most surprising about the global rankings is that only McDonald's and Microsoft have managed to become top-of-mind corporate brands, for better or worse, throughout the world. In contrast, Coca-Cola turned up in only the U.S. and

Norwegian rankings. Sony was ranked in just the U.S. and U.K., and Toyota Motor Corp. made only the U.S. and Australian rankings.

Such seemingly ubiquitous corporate names as Nike, International Business Machines Corp., and Ford Motor Co. were no-shows in all but the U.S. ranking. And Levi Strauss & Co., BP PLC and Nestle SA didn't make the cut in any of the countries.

High visibility -- as well as strong opinions about a company, pro or con -- is what determines the makeup of each country ranking in the studies by **Harris Interactive** Inc. and the Reputation Institute. Companies included in the rankings were drawn from the first phase of the study, in which respondents listed the two companies they believe have the best reputations and the two companies with the worst images. Those named most often were then rated by a second group of respondents to determine their actual rank.

Except for McDonald's and Microsoft, homegrown companies still have the edge when it comes to visibility. In all of the rankings, locally based companies, from the dairy company Tine Group in Norway to cosmetics marketer L'Oreal SA in France, were predominant.

Anti-American feelings over the war in Iraq may be a factor in the dearth of U.S. corporate icons in the European rankings. "It is impossible to ignore the fact that things American may have recently lost some cachet," says Hayes Roth, vice president for world-wide marketing and business development at Landor Associates, a brand consultancy.

What's the key to a sterling reputation? In all of the countries, emotional appeal -- respect, trust and good feelings about a company -- plays a major role. Product and service quality and social responsibility within the community also figured heavily into the rankings across countries. But some factors resonated more in certain nations. The workplace environment carried more weight in Britain, for instance, while financial performance and leadership mattered more in Germany.

In most countries, the technology industry enjoys the best image and tobacco the worst. Both Americans and Europeans also tend to give low marks to telecommunications and oil companies.

The No. 1 companies in France, Germany, Britain and Sweden may have local roots, but they are certainly all global marketers, as well. Topping the list in France is L'Oreal; in Germany, Porsche AG; in the U.K., Virgin Group; and in Sweden, IKEA.

Despite closer economic ties among the European nations, European unity wasn't in evidence in the reputation study results. There was virtually no overlap among the companies in the six European rankings.

"There's a strong bias in Europe toward national-heritage companies, especially ones with a well-known local founder like Richard Branson at Virgin and Anita Roddick at Body Shop," says Charles Fombrun, executive director of the Reputation Institute, a New York-based research organization. "But I was very surprised that DaimlerChrysler didn't appear in more countries given the reach of its Mercedes brand." DaimlerChrysler AG was ranked in only Germany (No. 7 of 15) and the U.S. (No. 39 of 60), the home bases for its two major brands.

Although national heritage may trump everything, the country name doesn't seem to be much of an asset. American Express Co. and AMR Corp.'s American Airlines ranked 29th and 50th, respectively, in the U.S. ranking of 60 companies, while in the European rankings of 15 companies per country, British Telecom PLC was No. 12; British Airways, No. 10; France Telecom, No. 13; and Air France, No. 8. But it's the Germans, in particular, who don't seem very fond of companies bearing a nationalistic moniker. The four lowest-rated German companies: Deutsche Bahn AG, Deutsche Telekom AG, Deutsche Post AG and Deutsche Bank AG.

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#### Most Memorable Ad Campaigns

These companies received the highest scores for advertising recall in the reputation study. But their sincerity ranking, listed in parentheses, typically wasn't nearly as high.

U.S.

1. McDonald's (19 of 60)
2. Coca-Cola (3)
3. Ford Motor (23)

U.K.

1. McDonald's (13 of 15)
2. British Telecom (12)
3. Tesco (5)

GERMANY

1. McDonald's (6 of 15)
2. Deutsche Telekom (13)
3. Deutsche Post (7)

FRANCE

1. Renault (3 of 15)
2. McDonald's (10)
3. France Telecom (12)

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## In Business Ranking, Some Icons Lose Luster

By Ronald Alsop

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(Copyright (c) 2004, Dow Jones & Company, Inc.)

ASK MICHAEL KITCHENS what comes to mind when he hears the name Walt Disney Co., and it won't be Mickey Mouse or Disney World. What he thinks of first: "Michael Eisner and overblown salaries."

Mr. Kitchens, a telecommunications manager in Acworth, Ga., says his warm childhood memories of Disney's classic movies have been eclipsed by the company's recent management turmoil and exorbitant executive compensation, most notably former president Michael Ovitz's \$140 million severance package.

"When I grew up, Disney was on a pedestal in my mind, pristine and untouchable," Mr. Kitchens says. "Now, it's all about greed and ridiculous salaries. Next thing you know they'll lay off Mickey and Goofy to further enrich the executives."

Such sentiments helped knock Disney out of the top 10 in the sixth annual Reputation Quotient study conducted by **Harris Interactive** Inc., a market-research company in Rochester, N.Y., and the Reputation Institute, a research organization based in New York City. Disney fell to 16th place in the reputation ranking from fourth in 2003, as respondents repeatedly berated it for losing its magic. "There's no soul behind the company anymore," complained survey respondent Trudi Lee Feichtenbeiner-Franson, a mental-health specialist in Salt Lake City.

In response to such comments, Disney issued a statement saying that it remains "focused on being the world's leader in quality family entertainment for which our guests and customers around the world give the company top marks. That satisfaction has translated to a tremendous uptick in financial performance for shareholders over the past few years."

Many other companies were the targets of similar criticism from survey respondents, disgusted by super-size executive compensation, shabby treatment of employees, and American jobs lost to outsourcing. As the public remains disenchanted with the world's largest, most prominent companies, the focus of their ire is shifting from the notorious accounting scandals of the past three years to workplace and compensation concerns that hit closer to home. This year, 68% of survey respondents graded the reputation of U.S. business as "not good" or "terrible," compared with 74% in 2003.

Europeans are less critical. In the United Kingdom and Germany, for instance, similar studies found that 42% and 49% of people give the corporate world an overall negative reputation rating. Of course, Europeans have witnessed fewer corporate scandals and controversies than Americans in the past few years. Indeed, persistent memories of the fraudulent activities at Enron Corp. and MCI Inc., formerly WorldCom Inc., kept them mired in the bottom two spots in the U.S. ranking, while Halliburton Co. slumped to 58th place (out of 60) from 50th last year.

Halliburton was hurt by media publicity about billing disputes between it and the government over its work in Iraq, plus concern about its ties to Vice President Dick Cheney, the company's former chief executive officer.

"When Halliburton received lucrative government contracts, it was perceived as dishonest because of the connection with Mr. Cheney," said Jennifer Maher-Bontrager, a Web designer in Frisco, Texas. "Integrity is more than just following the letter of the law; it also involves following the spirit of the law. Whether or not they have technically done anything wrong is less important than the public court of opinion as far as reputation is concerned."

Aware of such feelings, Halliburton recently began a corporate ad campaign to try to repair its reputation. "Some have suggested that Halliburton's work in Iraq came `on a silver platter,' " the company says in the ads. "Quite simply, that is completely false."

Such controversies and scandals, of course, will eventually fade. What's really alienating people -- and will hurt reputation long-term -- is the perception of a growing inequity between working stiffs and mercenary corporate chiefs.

Emotions ran high in this year's survey. "Unearned rewards just go completely against my grain," said Larry Brewer, a manufacturing supervisor in Hartselle, Ala. "Corporate royalty should consider that their subjects can revolt and break out the guillotine."

Other survey respondents complained about the "platinum parachutes" CEOs collect on their way out the door and "greedy cowards and short-sighted patriachs" sitting on some corporate boards.

"Martha Stewart making \$900,000 a year after being convicted of a crime is insane to me," said Jared Wengert, a project manager for a telecommunications company in the Seattle area. "Having worked for start-up and dot-com companies, I have seen that the vast majority of the creative juices in a company come from the teammates being paid a few percent of what the executives earn."

A spokeswoman for Martha Stewart Living Omnimedia Inc. defended Ms. Stewart's compensation, noting that "she remains the company's guiding inspiration and is a critical asset. Our board and colleagues recognize that she brings enormous value to the brand and to the company." The spokeswoman said Ms. Stewart, who is now the company's chief editorial and media director, will not be paid while in prison, but she will receive her salary during the home-confinement portion of her sentence.

Another sore point in the survey was the offshore outsourcing of jobs. Dell Inc., for example, fell out of the top 10 for the first time since 2001, as respondents criticized the computer marketer for creating customer-service jobs abroad. "Dell pretends to be an all-American company but outsources jobs as much as possible to other countries, notably India," said Carl Dershem, a legal clerk and musician in San Diego. "I will never do business with Dell or again recommend them to friends as I had before."

Such complaints are familiar to Dell, a spokeswoman says. "We point out that we are a global company hiring people around the world, including the U.S. But most of our growth now is outside the U.S., especially in developing countries." Despite the jobs issue, respondents named Dell most often as the company they would definitely invest in and second most often, after Starbucks Corp., as the stock they would definitely recommend to others.

The U.S. Reputation Quotient study was conducted in two parts this past spring and summer. In telephone and online interviews in the first phase, some 6,000 respondents were asked to name the companies they believe have the best and worst reputations. Then the 60 companies mentioned most often were rated online by a second group of more than 22,000 people on 20 attributes covering financial performance, product and service quality, social responsibility, workplace environment, vision and leadership, and emotional appeal.

Perhaps more than any other company, Coca-Cola Co. demonstrates the value of an enduring reputation when the going gets tough. Despite declining profit and criticism of its sugary soft drinks for contributing to America's obesity epidemic, the company still ranked third in the survey, the same as last year, and was named most often as the product people would "definitely" purchase and recommend to others. The emotional power of the Coke brand is strikingly clear when so many respondents fondly recalled old commercial slogans like "the real thing" and "I'd like to teach the world to sing . . ."

Japanese companies fared well, too, this year, as both Sony Corp. and Honda Motor Co. moved into the top 10 and Toyota Motor Corp. advanced seven places to No. 13.

But no one could touch Johnson & Johnson, which once again took top honors in the reputation study, its sixth consecutive first-place finish. Respondents still give the company high marks for its consumer-products business as they relate pleasant memories of using its baby powder and shampoo.

Yet not everyone thinks of J&J in such cuddly terms. Some respondents criticized it for the prices of its drugs and medical devices. Ross Miller, a physician in Los Angeles, allowed that J&J has a better reputation than most pharmaceutical companies today but believed it can "find more ways to make access to medicine easier for the unfortunate."

J&J and many other companies, including highly rated 3M and Sony, were urged to be better corporate citizens -- or at

least let the world know about their good deeds. "3M is a good company and is seemingly free of the corporate greed infecting companies today, but it should do more to inform the public that it cares about the environment and puts such concerns ahead of the almighty buck," said Dan Grillo, an unemployed survey respondent in Gardner, Mass.

The survey makes it evident that ineffective communication can obscure a good corporate citizen's virtues. In fact, of all the attributes survey respondents rate companies on, they are most in the dark about social and environmental responsibility activities. And they say that favorable treatment of employees counts as the most important element of social responsibility.

"As reputation declines, the expectation that companies should do more than just provide great products and services increases," says Joy Sever, senior vice president at **Harris Interactive**. "For many people, community and environmental responsibility, as well as fair treatment of employees and customers, will be necessary to restore their trust in large companies."

Trust clearly is lacking. At a time when respondents crave sincerity, many find companies' advertising and corporate communications hypocritical. On average, only 37% of survey respondents give companies a positive rating for sincerity in their communications.

(MORE)

Wal-Mart Stores Inc. particularly came under attack, as some people said they simply didn't buy the company's commercials featuring smiling, successful employees. "I'm offended by Wal-Mart's ads," said Anthony Leo, a physician in Arvada, Colo. "The image of a waving American flag with the faces of contented employees and grateful townsfolk welcoming the liberating Wal-Mart -- well, for me, it is too much to swallow." The discount retailer was among the five companies receiving the most negative ratings for "rewarding employees fairly."

Wal-Mart, which fell five notches to 28th place in the ranking, recently acknowledged its image problems and vowed to do a better "outreach" job to tell its story to the public.

Americans also continue to be skeptical about Altria Group Inc., but their feelings are more mixed these days. The name change to Altria didn't sit well with many respondents who view it as "subterfuge" to distance the company from its Philip Morris tobacco business. Jared Hatch, a marketing coordinator in Richmond, Utah, called the new name "a Band-Aid for a jugular laceration."

Yet Altria still managed to score a significant rankings gain, rising to 48th place from 54th last year, partly because some people were impressed with its anti-smoking ads. "It's almost like they are admitting what they did in the past was wrong and want to correct it," said Anne Patterson, a retiree in Winston-Salem, N.C. "Sometimes humility can be very appealing."

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Question of the Day: Which brand stands the best chance of being a household name in 50 years? Cast your vote and see additional charts and rankings from the survey, and an explanation of the methodology, at [WSJ.com](http://WSJ.com).

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#### Best and Worst

U.S. consumers rank big companies' reputations:

At the top

COMPANY	RANK	
	04	03
Johnson & Johnson	1	1
3M	2	8
Coca-Cola	3	3

Procter & Gamble	4	9
United Parcel Service	5	2
Microsoft	6	5
Sony	7	13
FedEx	8	7
General Mills	9	6
Honda	10	11

At the bottom

COMPANY	RANK	
	04	03
Sprint	51	46
Tyco International	52	--
Martha Stewart	53	55
Bridgestone/Firestone	54	53
Alticor	55	--
Adelphia Commun.	56	--
Kmart	57	56
Halliburton	58	50
MCI	59	59
Enron	60	60

Note: Tyco International, Alticor and Adelphia Communications weren't on the 2003 list.

Source: **Harris Interactive** and the Reputation Institute

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## **Corporate Reputation Survey: Europe's Home-Team Advantage --- Residents Are Thinking Local First; Germans Admire Engineering, Britons Seek Social Responsibility**

By Hannah Karp and Andrew Wallmeyer

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THE BEST-KNOWN FIRMS in Germany, the U.K. and France are largely homegrown, reflecting Europe's still-fragmented local markets.

In a comprehensive survey of corporate reputations among companies in the European Union's three largest countries, 13 of the 15 companies cited as "most visible" in Germany and France are based in their home countries. In the U.K., 11 of 15 are locally based.

"There's a strong bias in Europe toward national heritage companies, especially ones with a well-known local founder like Richard Branson at Virgin and Anita Roddick at Body Shop," says Charles Fombrun, executive director of the Reputation Institute, a New York research organization that conducted the survey with market-research firm **Harris Interactive Inc.** of Rochester, New York.

While dominant national brands and the celebrity of such executives may influence Europeans to think local first, economists say the fact that so few global giants based elsewhere were cited also highlights the limits of Europe's moderate-size countries. They're large enough to be self-sufficient, but too small to fuel demand for imported foreign goods and services with the same vigor as the U.S., says Katinka Barysch, chief economist at the Center for European Reform, a London think tank.

The EU has been trying for years to create a larger, more integrated market by eliminating obstacles preventing free movement of labor, goods and services across its internal borders. Legal barriers in the goods market are all but gone, and now the European Commission is pushing a law to make it easier for companies to provide services across the bloc as well.

But the survey suggests that remaining barriers may be as much emotional as regulatory. "You can't address national preferences through regulation," Ms. Barysch says. "The brands that people are used to are still national . . . that's changing, but it will take years."

High visibility -- as well as strong opinions about a company, pro or con -- is what determines the makeup of each country ranking. Companies included in the rankings were drawn from the first phase of the study, in which respondents listed the two companies they believe have the best reputations and the two companies with the worst images. Those named most often were then rated by a second group of respondents to determine their actual rank.

The survey showed that the three countries' citizens tend to admire corporations for different reasons. For many Germans, product excellence is the benchmark of success. The British typically demand more social responsibility from their firms. And in France, honest bookkeeping and financial strength raise a company's profile.

Overall, Europeans give corporations better marks than Americans, having witnessed fewer corporate scandals in the past few years. This year, 68% of survey respondents graded corporate America's reputation as "not good" or "terrible," while 42% in the U.K and 49% in Germany gave the corporate world an overall negative reputation rating. In France, where companies including Vivendi Universal and Credit Lyonnais have been embroiled in scandals, the number was closer to the U.S. -- 58%.

Here's a look at what Europeans say about their companies:

## Germany

Cars and technology companies rated at the top in a country that has been known for its precision and manufacturing prowess.

Though German and other European cars have fared poorly compared to Japanese brands in recent consumer ratings, Germany's auto manufacturers still benefit from a halo effect in their home country, says Humboldt University professor Joachim Schwalbach, who has studied corporate reputation in Germany since 1988. "Automotive companies have always been top-ranked," he says.

Four car makers were among the top-ranked firms by reputation among Germany's most visible companies, paced by No. 1 Porsche and No. 3 BMW. Technology companies also did well, with Microsoft, Siemens and BASF filling out the top half of the list.

University of Hannover professor Klaus-Peter Wiedmann, who also studies corporate reputation in Germany, believes Germans hold high-tech firms in high regard because they see them as "very important companies that are able to present German values to the world," including innovative design and precision manufacturing.

Aldi Group, a discount retailer best known for its Spartan stores and inexpensive foodstuffs, is uniquely low-tech among Germany's highest-ranked companies. In addition to staples from toilet paper to tortellini, respondents credited Aldi for its periodic specials on high-end edibles such as shrimp or caviar.

Germans reserved their harshest criticism for a trio of former state monopolies -- Deutsche Post (No. 13), Deutsche Telekom (No. 14) and train operator Deutsche Bahn (No. 15).

"Generally, the customer service at all three is no longer adequate," says survey respondent Andrea Huck, a 44-year-old graphic designer. "Deutsche Post is closing branches, Deutsche Bahn is cutting routes and employees, and Deutsche Telekom has fewer help centers."

Many respondents felt the companies had abused their monopolies, at consumers' expense. That perception is proving difficult to shed, even though Deutsche Telekom is now independent of the government and Deutsche Post is publicly traded, though the state still holds about 60% of its shares.

"They were all state companies, and the bureaucratic mind-set is still a big problem for them," says accountant Thorsten Schmul, 37.

## United Kingdom

In Britain, with a healthier economy than its Continental neighbors, issues such as social responsibility, environmental consciousness and treatment of employees played a bigger role in the rankings.

"We expect our companies to be more community-based . . . to do something other than make products," says respondent Stewart Roe, 40, a Royal Mail employee from Swansea. "In America, it seems companies exist to make money, but in Britain we say: What else do you do?"

Body Shop International, which ranked third in the reputation rankings, got kudos for being eco-friendly and not testing products on animals. The outspoken Ms. Roddick, founder of the beauty-products maker, has led campaigns against sweatshop labor and exploitative trade practices, among other causes.

Respondents also gave high marks to the John Lewis Partnership (No. 6), which operates Waitrose grocery stores and promotes recycling and other ecologically friendly policies. Though Tesco (No. 5) ranked relatively high on the reputation scale, respondents still say they wished the supermarket chain would "give farmers a fair deal" and sell more organic and local produce, and some berated the chain for being "whale-meat sellers." Tesco came under fire in April for its ownership of a Japanese chain that sells tins of whale and dolphin meat.

Royal Dutch/Shell (No. 13) also was criticized for not being a better environmental steward, but its recent accounting

scandal also took its toll. "Overestimating of oil reserves is the first thing that comes to my mind when I hear the name," says one respondent.

France

French companies bore the brunt of respondents' distaste for corporate shenanigans.

"Financial performance is a more important factor in French people's minds, given recent scandals with French companies," says the Reputation Institute's Mr. Fombrun.

At the bottom of French reputation rankings were Vivendi (No. 15) and Credit Lyonnais (No. 14). In April, John Luczycki, the former chief accounting officer and controller at Vivendi Universal, settled fraud charges brought by the U.S. Securities and Exchange Commission, without admitting or denying the charges. Vivendi's accounting scandal cost the Paris-based media company \$50 million (38.5 million euros) in penalties -- and credibility with the public.

Scandal also hurt Credit Lyonnais, whose former CEO, Jean-Yves Haberer, was found guilty last year of disseminating false information and publishing inexact accounts and false dividends in the early 1990s.

Conversely, respondents praised companies with strong financial performances and straightforward leadership. L'Oreal won the top ranking, partly for consistently delivering promised financial results, followed by food giant Groupe Danone.

Respondents described the yogurt maker as an "enormous" and "financially powerful" company with "huge distribution." Danone's low-calorie image also got a boost from rising public concern about obesity.

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## Corporate Reputation Survey: Sincerity Trails Memorability in Ads

By Ronald Alsop

512 words

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WHEN COMPANIES LAUNCH multimillion-dollar advertising campaigns, they pray the message will get noticed and remembered in today's cluttered media marketplace.

But a more vital concern should be whether people believe the message is honest. According to the new Reputation Quotient survey, companies producing some of the most memorable ads of the past year didn't come across as very sincere.

Most of the top-ranked companies for advertising recall in the U.S., including McDonald's Corp., Ford Motor Co., Wal-Mart Stores Inc., Verizon Communications Inc., Nike Inc., and General Motors Corp. -- placed significantly lower when respondents rated them for communicating with sincerity. Regarding ads for Nike, for example, one survey respondent complained that the company uses "minority athletes to sell to the minority youth of today, most of whom cannot comfortably afford Nike products."

Only Coca-Cola Co. and Dell Inc. were ranked as two of the 10 companies with the most memorable campaigns and the greatest sincerity in their corporate communications.

One respondent said some Coke commercials "make me laugh and cry," while others fondly recalled the company's polar-bear ads. As for Dell, the computer marketer's slogans have registered strongly with people who especially remember the line, "Dude, you're getting a Dell."

The outcome was much the same in Europe, where such companies as McDonald's and telecommunications firms produced memorable ads, but didn't score nearly as well for sincerity. Commenting on McDonald's commercials, a British respondent said: "The adverts on TV where they say 'I'm lovin' it' stand out. But apart from children, I don't know anyone who claims to love McDonald's."

When **Harris Interactive** Inc. analyzed the survey data, it found little correlation overall between advertising recall and a strong corporate reputation. In fact, there was even a negative correlation in the U.K. and Germany. But Harris determined that sincerity correlates strongly with a high reputation score.

The survey also delivers bad news to companies that have tried to use advertising to repair, or at least limit, damage to their reputations. Boeing Co. and Halliburton Co. ran ads this year giving their side of controversies dogging their companies, and Halliburton also created sentimental ads showing its services to soldiers overseas. Meanwhile, scandal-tarred Tyco International Ltd. created a new image campaign describing the positive impact of its businesses on people's lives.

But judging from the survey findings, they aren't having much success. Among the 60 companies in the U.S. study, all three ranked in the bottom five for advertising recall. More important, they also received relatively low marks for sincerity. Commenting on Halliburton, a respondent complained that the company was trying to "pull the heartstrings of Americans with a commercial about providing phone service to the troops in Iraq, when at the same time you are ripping the military off."

In its ads, Halliburton denies that it overcharged the U.S. government and contends that there is simply a "billing disagreement."

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## Corporate Reputations: Top Swedish Firms Hurt by Others' Woes

By Maria Akerhielm Dow Jones Newswires

712 words

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(Copyright (c) 2004, Dow Jones & Company, Inc.)

STOCKHOLM -- SCANDANAVIA'S BEST corporate reputations belong to a Swedish giant featuring ready-to-assemble furniture, a Danish family firm that became the world's largest container-shipping line and a dairy-products company that has supplied milk to generations of Norwegians.

But in a sign that negative images can be more powerful than positive ones, the public perceptions of even some of the region's most-admired firms have been dragged down by the woes of some of the least admired.

In Sweden, the problems of an insurer under fire for its executive pay and alleged fraud was among corporate scandals that hurt the reputation of all the country's companies, says Tony Aperia, a faculty member at Stockholm University School of Business.

Sweden's IKEA, which scored that country's top corporate reputation, is a case in point. In a study by Reputation Institute and **Harris Interactive** Inc., its score based on respondents' rating of companies on 20 attributes was lower than five firms in Denmark, which boasted the region's highest reputation scores because its companies weren't stained by scandals.

Still, IKEA ranked high on all dimensions of the reputation survey. "Swedes love IKEA," says Mr. Aperia. Filip Nilsson, creative director at Gothenburg-based advertising firm Forsman & Bodenfors, says IKEA over the years has built trust by being "very proactive." When confronted by customer complaints or manufacturing mistakes, for example, "IKEA reacts fast, is open and available," says Mr. Nilsson.

Swedes take pride in the global success of local companies, even if it's in another Nordic country. Finland-based cellphone company Nokia Corp. garnered Sweden's second-ranked reputation, ahead of Sweden's own telecom giant, Telefon AB L.M. Ericsson. In Denmark, A.P. Moller-Maersk Group won its top ranking with a reputation as a "very orderly [company] with high business ethics," says Majken Schultz, a Copenhagen Business School professor. The family-owned shipping firm also has raised its visibility by financing a new opera house in Copenhagen through a family foundation, as well as by a widely seen TV interview with Maersk Mc-Kinney Moller, when the son of the company's founder turned 90 last year. "Now he's a familiar face to Danes," says Reputation Institute partner Kasper Ulf Nielsen.

In Norway, Tine, a 123-year-old cooperative that supplies nearly all of the country's milk, was most admired in the survey even though consumers generally don't like monopolies. Tine countered that, Mr. Nielsen says, partly because it's "associated with farmers who brought people their milk when they were kids."

The dubious distinction of the lowest-ranked reputation in Scandinavia goes to Sweden's Forsakrings AB Skandia. Respondents associated it with words like "scandal" and "fraud." Former Chief Executive Lars-Eric Petersson and other managers left the company last year amid a controversy over remuneration of executives and use of company apartments. Mr. Petersson has denied any wrongdoing.

In a recent interview, Vice Chairman Bjorn Bjornsson said the insurer is committed to dealing "with all of our problems one by one," but acknowledged, "trust takes a long time to build up, but can be ruined fast." Last week, the company launched an ad campaign with one TV commercial showing a tired-looking employee surrounded by reminder notes reading, "With our reputation we can't afford to do anything wrong."

Troubles at carrier Scandinavian Airlines System lowered overall reputation scores in the entire Nordic region. SAS, 50%-owned by the governments of Sweden, Denmark and Norway, has been beset by the industry woes of overcapacity,

sluggish traffic growth and higher fuel prices, as well as its own identity problem. Some respondents said they were confused by the company's efforts to be a point-to-point, no-frills airline after formerly stressing business-class service. Calling SAS "unpredictable," one noted there is "a lot of back-and-forth in the management."

Bernhard Rikardsen, the airline's head of human resources, acknowledges SAS is "faced with a major task to reposition our brand" in a competitive market. "We cannot be a company providing `either-or,' " he says. "We have to be a bit of both."

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