

BrandPower Series: Favorability Report

A shake-up ahead?

Leadership perceptions
create opportunities
for Tier 2 brands.



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Executive summary

In March 2013, CoreBrand released its 6th annual Top 100 BrandPower Rankings Report, showcasing the best and strongest corporate brands. In our report, we analyzed the performance of brands in 2012, as well as brand trends over the past five years. The report demonstrated a downward pressure of the economy across all sectors, but it also heralded the ability of a strong brand to buoy a company in tough economic times. We noted that the primary driver of the downward trend was a decrease in Favorability, as most brands were still performing well in Familiarity. These findings led to our conclusion that while many companies maintained or improved in brand awareness, overall market sentiment toward corporations was skeptical.

In this follow-up report, we take a closer look at the three attributes that comprise Favorability to better understand the factors behind this downward trend: Overall Reputation, Perception of Management, and Investment Potential. To gain further insight, we compare the Favorability scores of the Top 100 brands with those of other tiers of tracked companies to better understand the dynamics that influence brand performance and separate the winners from the laggards.

Some key findings include:

- The downward trend in Favorability across the entire Top 100 seems to have started slowing down and leveling off in 2010. There has been a clear, but gradual, rebound in sentiment towards companies since the financial crisis, although there is still some way to go until we reach the point of recovery.
- The “Perception of Management” attribute is the critical driver of the decrease in Favorability scores. This finding tells us that companies need to focus on building their leadership image through frequent and transparent communication to build trust.
- Overall, there is evidence of strength and confidence returning to corporate brands, suggesting that the economic recovery is assuredly underway.
- Companies in Tier 2 (ranked 101–200) have a surprising upward momentum in Favorability, showing that they are poised to overtake many of the Top 100. If this trend continues, it is quite possible there will be a huge shake-up in the Top 100 BrandPower Rankings over the next few years.

We have identified the expected negative trends in Favorability, given the persistent adverse economic conditions and identified some core strengths and possible resiliency among the companies we track. Companies who proactively build trust through their business processes, their culture and behavior, and their communications have an obvious opportunity to push ahead. This is no more apparent than in the brand scores for companies that fall just behind our Top 100.

Understanding Favorability

We originally included over 30 Favorability attributes in our study. After doing a factor analysis, we discovered these attributes clustered into three broad dimensions: general perception, corporate leadership and financial factors. We were able to simplify our process and still explain almost all of the variability in total Favorability by asking respondents to focus in on these broad areas.

The Favorability attributes behave in a predictable way for a strong brand. We expect to see a hierarchy in score, with alignment, in an ordered trend: Overall Reputation highest, followed by Perception of Management and Investment Potential. The reason for the hierarchy is the increasing commitment required to give a strong score for each of the dimensions — from declaring you like the company, to having an opinion about its leadership to whether you would be willing to (hypothetically) put your own money behind them. When the Favorability attributes do not behave as we would expect, it raises a red flag. Misalignment can help diagnose and prescribe specific action to improve overall brand effectiveness.

Report criteria

To be considered for our Rankings and this report require brands to be:

- A corporate brand (not a product or divisional brand)
- Publicly traded for 5+ years
- Tracked by CoreBrand for 5+ years

Over 500 companies meet our criteria and were ranked based on their BrandPower scores. We will look most closely at the Top 100 and the next tier of brands.

Tier 1 Rank 1-100

Including Coca-Cola, Target, Apple

Tier 2 Rank 101-200

Including Amazon, H.J. Heinz, Citigroup

Tier 3 Rank 201-300

Including Sunoco, 3M, Limited Brands

Tier 4 Rank 301-400

Including Berkshire-Hathaway, EA, Novartis

Tier 5 Rank 401-500

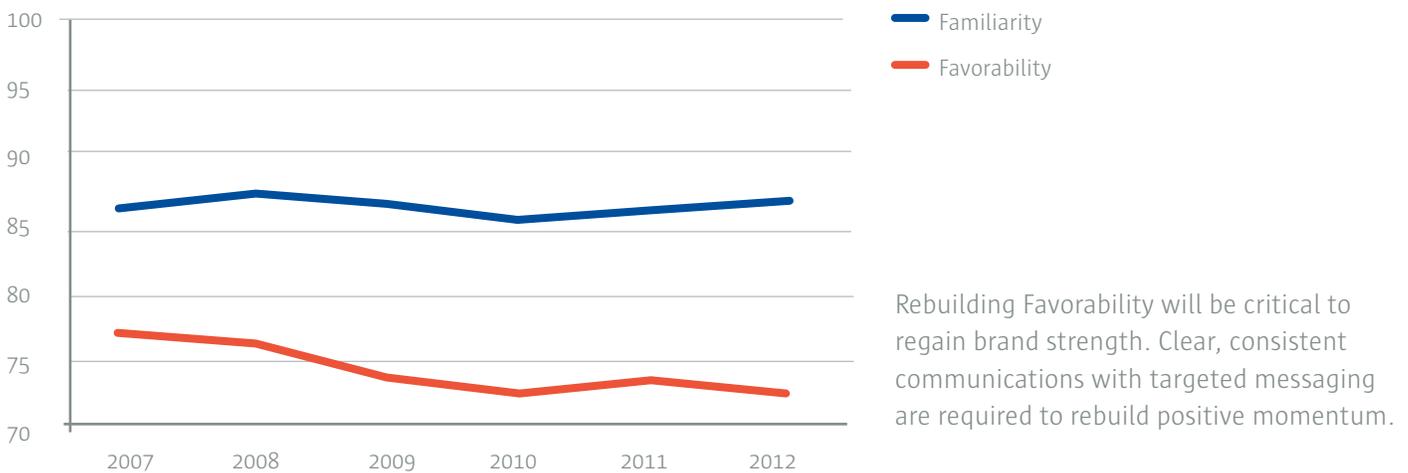
Including Rockwell Automation, MeadWestvaco, Accenture

Favorability is poised to rebound

The Top 100 brands (Tier 1) represent companies that perform well in both Familiarity and Favorability. Tier 1 companies have well-established, high profiles; therefore, large growth in both scores from year to year is rare. In general, maintaining strength is considered success.

However, we noted in our Top 100 Rankings Report that, on average, companies in this tier are experiencing a downward pressure being driven by decreasing Favorability scores. Brand awareness has essentially held steady while sentiments towards brands have plummeted. This is a clear reflection of continued depressed market sentiment and skepticism, and highlights an opportunity for brands to build trust and regain positive perception.

Tier 1 Familiarity and Favorability



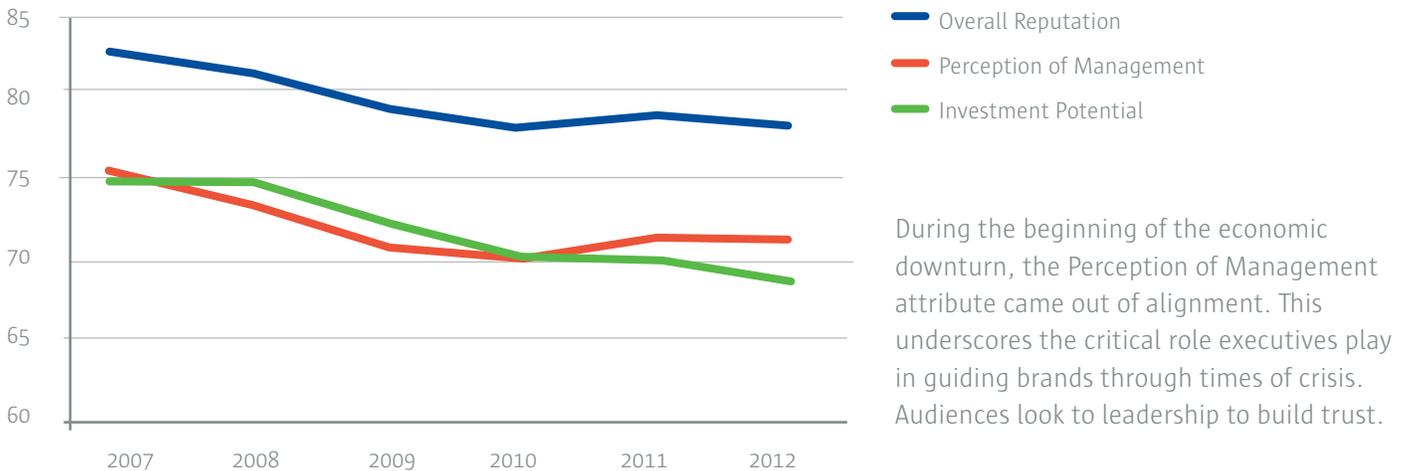
The good news is that the decline in Favorability seems to have leveled off in 2010, when we observe an inflection point. While it remains to be seen how quickly companies can regain lost Favorability, the downward momentum has stopped. When awareness is holding strong, it is the time to focus on adjusting marketing messages. Audience research and message testing can be excellent tools to help refine brand messages to ensure they resonate with key targets. The process to revise messages and implement them externally can take some time. Companies who begin now will be poised to collect the greatest rewards as their updated brands regain positive sentiments.

Perception of Management is the most critical factor for top brands

When you dig one layer deeper into the attributes comprising Favorability for Tier 1, we see a startling pattern. The downward trend in Favorability is primarily due to a dramatic drop in Perception of Management, causing the Favorability attributes to come out of alignment. We would expect to see an ordered hierarchy between the three Favorability attributes, but starting with the economic meltdown of 2008, Perception of Management has dipped well below Investment Potential.

This is a clear indicator of mistrust in corporate leadership and is likely a result of the economic crisis of 2008. Executives in this tier of companies are being held personally accountable on some level for corporate and overall economic performance. The drop in Perception of Management represents a backlash against the corporate culture that audiences feel is responsible for creating the meltdown.

Tier 1 Favorability Attributes

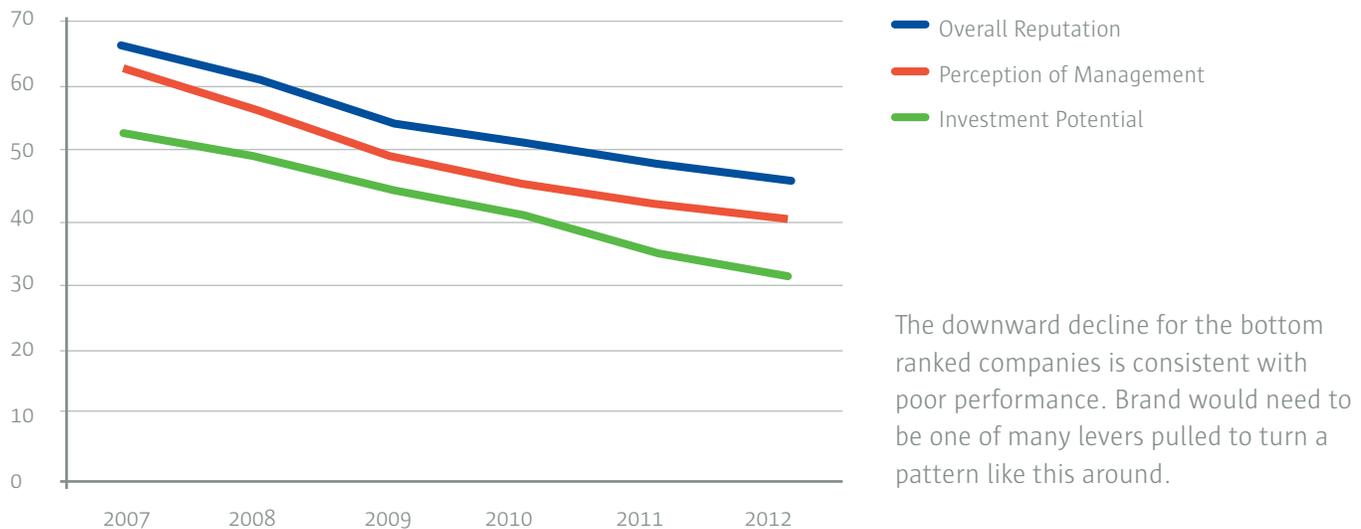


The good news is that 2010 marks the beginning of a clear upturn. Investment Potential continues to decline as consumer confidence remains shaky, but the attributes are back in their expected alignment and stabilizing. This bodes well for a slow-but-steady economic recovery. It is critical that corporate leadership maintain a public face and promote clear, consistent and transparent communication to the market.

Tier 5 companies plagued by poor performance

For comparison, we looked at the lowest performers in our set of tracked companies. For Tier 5 (ranked 401–500) we see a pattern of Favorability attributes that behaves as we would expect in challenging times. This leads us to suspect that poor image performance has less to do with brand management than other business factors.

Tier 5 Favorability Attributes



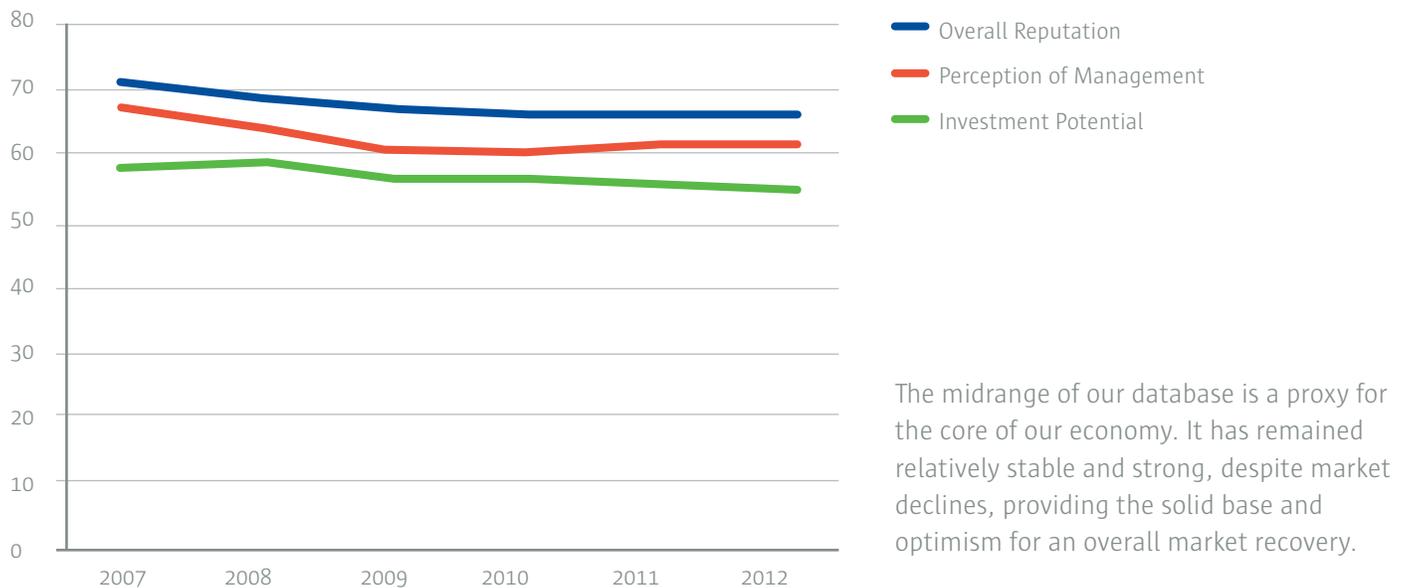
Out of the 500 companies examined in this report, Tier 5 shows the greatest overall decline in the Favorability attributes. These are the lowest ranked brands that we track and they have generally sharply declined since 2007. However, unlike the Tier 1 companies, they have done so in a uniform pattern across all three attributes. This pattern suggests that respondents are not holding these companies responsible for damaging the economy. The Tier 5 declines are more likely based on poor corporate performance.

Tier 5's pattern of Favorability attributes is not uncharacteristic of what you'd expect to see for weaker brands given the existing economic climate. It provides an interesting counter point to the Tier 1 performance, which clearly indicates brand is an active driver of success.

The core of the economy remains strong

After looking at the top of the list and the bottom, we wondered what the pattern would be for the remaining companies. Looking at the average for the middle 300 tracked companies that meet our report criteria, who represent the core of our economy, we see a comforting pattern of stability. There has been some downward pressure, but it is far from a catastrophic free-fall and they are actually the first to stabilize, leveling out before the 2010 inflection point.

The Middle 300: Tiers 2-4 Favorability Attributes

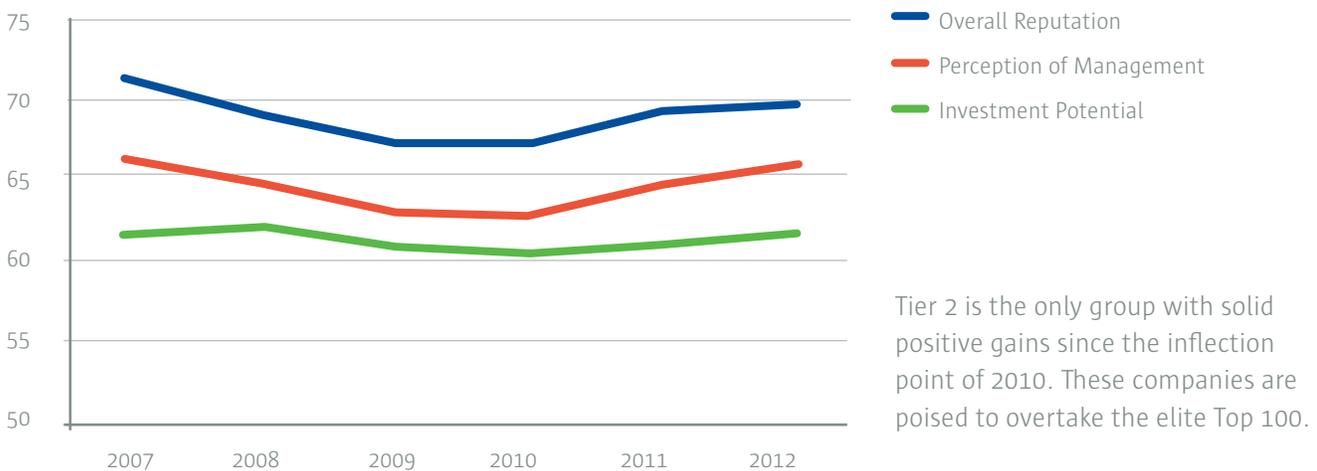


Perception of these brands has not recovered what was lost, but they also have not continued to decline. It is unclear going forward how long it will take companies to recover perception that has been damaged by the downturn. The patterns at the core show a strength that can be transformed into positive momentum with solid performance and careful brand management.

Is a shake-up coming at the top?

The most interesting finding we uncovered as we analyzed the Favorability attributes of tracked corporate brands was the aligned, upward movement visible in the companies just outside our Top 100. The companies in this tier who adeptly manage their brands — despite having current Favorability scores lower than the Tier 1 brands — have a unique opportunity to capitalize on this momentum and unseat brands in the Top 100 BrandPower Rankings.

Tier 2 Favorability Attributes



The Tier 2 companies show a resiliency not present in the other tiers. While Tier 2 experienced declines at the height of the recession, it has largely recovered its losses and is the only tier showing solid gains since 2010. These companies benefit from having strong brand awareness and perception, having been largely shielded from the perception of being responsible for persisting economic conditions. Tier 1 brands are marginally more salient, and therefore, held more accountable. They have a larger battle to regain audience trust than the Tier 2 brands.

As the economy recovers, the Tier 2 companies may be the best positioned to take advantage of changing market conditions. Companies appearing in this tier, such as Amazon, Wells Fargo, Sears, and even Best Buy, may have less baggage, especially with regard to Perception of Management, than their Tier 1 counterparts. Plus, they have the Familiarity to enable them to use brand as a key driver of growth. Proper communications support may help propel some of these companies into elite status. Although not all of these brands will be capable of taking advantage of this momentum, the time for Tier 2 growth is now.

Based on the comparison of trends between Tier 1 and Tier 2 Favorability attributes, we will not be surprised if the Top 100 BrandPower Rankings look quite different in five years' time.

Built from more than 20 years of research

The data in this report comes from our Corporate Branding Index® (CBI), the only brand research method to be independently validated by the Marketing Accountability Standards Board. Founded in 1990, the CBI is a quantitative database based on a continuous benchmark tracking survey of 1,000 companies across 54 industries and 10 business sectors. CBI research examines the corporate reputations of major public companies in the United States by polling a neutral Business Decision Maker audience on Familiarity (awareness) and Favorability (perception) of tracked brands. The information in this report reflects data collected through December 31, 2012.

Familiarity

The Familiarity score is a weighted percentage of survey respondents who are familiar with a certain brand. Familiarity is rated on a five-point scale. Respondents are considered to be familiar with a brand if they state that they know more than the company name only (a score of 3 or higher).

Favorability

Those familiar with a corporation are then asked about favorability dimensions:

- Overall Reputation
- Perception of Management
- Investment Potential

Rated on a four-point scale, these metrics are combined into a single Favorability score.

BrandPower

Familiarity and Favorability are aggregated into a metric we call BrandPower. This score allows easy comparison between companies and across industries and sectors. Our BrandPower Rankings report showcases the companies who have achieved a high BrandPower score, meaning they benefit from both high awareness and positive perceptions.

Upcoming reports

In our next report we will concentrate on some of the specific brands that were examined in this analysis. We will focus in on companies with interesting and unusual patterns of Perception of Management and look to identify which companies are driving growth or declines.

For more information

CBI Methodology

www.corebrand.com/brandpower/methodology

All tracked companies

www.corebrand.com/brandpower/tracked-companies

The Top 100 BrandPower Rankings

www.corebrand.com/brandpower2012

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