

The value of reputation and cost of not looking after it

Contributed by Mindful Reputation
Friday, 27 February 2015

- Reputation worth £620bn to UK PLC as of January 2015
- Strong corporate reputations add £1 in every £2 of shareholder value; bad ones destroy £1 of value in £7
- Unilever and Diageo hang on to the top spots with the most economically impactful reputations; NEXT leaps to 3rd place, HSBC makes the top ten (for now)
- More companies show declines in Reputation Contribution than rises for the first time in six years, resulting in £55bn of shareholder value being lost.
- FTSE 350 companies leave on average £160m on the table by not fully addressing their reputation.

Corporate reputation underpins investor confidence to the extent that it accounts for nearly £620bn of shareholder value across the FTSE 350, but its impact is down from last year, according to the latest Reputation Dividend report released this week.

The report finds that corporate reputations work hard for their owners against a backdrop of improving financial indicators overall. The Reputation Contribution across the index is strong at 28% of the gross market capitalisation, which is 8% points lower than the start of 2014.

Simon Cole, Founder of Reputation Dividend said that “having achieved considerable success in maintaining confidence during the global economic downturn through a growing focus on reputations, there are signs that some companies have taken their eyes off the ball as “recovery” sets in. As a result, the FTSE350 as a whole slipped, and ended the year 2% below where it had started with a loss of £55bn of shareholder value.”

Unilever and Diageo top the league of the most economically powerful corporate reputations for the second year running, but their leadership is being challenged by a number of rising stars. NEXT rose 21 places to take the number three position, while RB (Reckitt Benckiser) jumped 19 places to number seven.

The study also places HSBC in the top ten with its strong global operations and ability to shrug off bad news as “industry issues”. Added Cole, “it remains to be seen just how much HSBC’s undoubted success in 2014 will be set back by the scandal surrounding the company’s Swiss operation, governance and customer’s tax management practices.”

The top ten most potent corporate reputations in the UK “ January 2015

Said reputation expert and director, Sandra Macleod, “in a year marked by mixed macroeconomic signals, intangibles such as corporate reputation continue to underpin market confidence, and with that, market capitalisations. Communications leaders are achieving considerable success but they need to prioritise their specific value-generating components if they are going to continue to live up to expectations and deliver the reputation returns they have in the past. With recent surges in share price performance, it could be all too easy to lose strategic focus, and with that, risk leaving shareholder money on the table.”

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The full study is freely available on :

https://reputationdividend.com/files/5014/2480/0950/Summary_of_2015_UK_Reputation_Dividend_Report.pdf