The perils of a tarnished brand

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In February, **Google** found itself in an unusual position: out of step with its customers. When the company **launched Buzz**, its social networking service, it faced a barrage of criticism from users who objected to the way it had automatically enrolled users of Gmail, its e-mail service, into the new offering. Their gripe was that it would make their private contacts public. Google was stung by the uproar but put it down to a mistake made in good faith and quickly made Buzz optional.

For a company that ranked second in a recent survey by Fortune magazine of the world's most admired companies, getting it so wrong with users was uncomfortable. It also begged the question of how a company known for being so intuitively connected to consumers could get it so wrong.

Google had established its reputation on the back of the functionality and ease of use of its search engine, a stream of popular innovations and a declared commitment to free access to information and the democratisation of the internet. Estimates vary wildly, but in 2009 one research agency, Millward Brown Optimor, valued the Google brand at $100bn.

But, even before the furore over Buzz, there were signs of cracks in the edifice. Google's reputation took a beating over its decision to enter the Chinese market, where it initially agreed to government demands to censor search results, only to recant and **redirect users** to a non-censored site in January based in Hong Kong. Observers wondered if the decision to enter China in the first place had compromised Google's founding values, summed up in its unofficial motto: "Don't be evil."

Google, of course, is not the only brand to have seen its reputation suffer recently. The public image of **Goldman Sachs**, the investment bank, has suffered in the wake of the credit crunch with a famous article in Rolling Stone magazine describing the organisation as a "great vampire squid wrapped around the face of humanity". **BP** is widely perceived to have compounded the damage done to its image by the **oil spill in the Gulf of Mexico** through a poor public relations and crisis management strategy in its aftermath.

What affects reputations in turn affects brands. It is too soon to say how badly the Goldman Sachs and BP brands will be affected but it seems certain that they will be. And what all of these examples highlight is how hard it is to manage reputations.

Rohit Deshpandé, professor of marketing at Harvard Business School, says the pressures to grow mean that some businesses, and start-ups in particular, forget to adapt their strategies as they become bigger. "When you are growing, your focus is on growing rapidly and you tend to be opportunistic about growth," he says. "You are not thinking about the vision and strategy. You are doing everything, so you have no time to sit back and think about things."

In other cases, companies lose sight of the core values that define their brand. "Brands are attitudes and perceptions in customers' minds," says Patrick Barwise, a professor of marketing at London Business School and chairman of Which?, the consumer organisation. Successful reputations, he says, are built on customer experience. Those companies that have built strong global brands, such as **Apple**and **Procter & Gamble**, have done so by first creating a strong customer promise and then delivering on that promise consistently.

> **Apple remains fresh**
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> The technology group is famous for its carefully managed product launches but is also one of the world's most respected companies. Why? First, its devices deliver on the claims made for them through Apple's corporate communications programme. Second, the brand's values are championed from the top by Steve Jobs, chief executive.

Other companies start out well and then lose their way. Coffee chain **Starbucks** was a very powerful and successful brand in North America, in part because it became very good at delivering what customers wanted. But somewhere along the way, says Prof Deshpandé, hubris set in. "It was so focused on growth by opening new stores that it lost touch with its core customers," he says. As a result in some markets, such as the UK, Starbucks saw its image and reputation decline.

The company has since taken steps to redress these concerns. In January 2008, Howard Schultz, the company's founder and original chief executive who had moved to the role of chairman in 2000, retook day-to-day control of the company. He lamented the "commoditisation" of the Starbucks "experience" and promised to return the company to its original vision, by retraining staff and working to re-engage with customers. According to the company, they have had some success.

The return of a chief executive who champions and defines the vision at the heart of overall strategy is certainly important. Prof Deshpandé says that many companies make a big mistake by relegating brand management issues to the marketing department.

Martin Roll, chief executive of brand consultancy VentureRepublic, agrees. Many companies, he says, think of brands only in terms of advertising and positioning. "Most companies do not put brands at the heart of their strategy," he says.

Another challenge for companies is how to manage their reputations as their operations become more global. It was easier for Google, for example, to adhere to its motto when it operated in open markets such as the US and western Europe but in a more controlled economy, such as China, this proved more tricky.

A similar difficulty is faced by Asian companies as they try to grow outside their home markets. The Tata Group, for example, is India's biggest and most valuable brand but the country's own brand image is weak in the west. Apart from IT services, India is considered by many to be a source of low-cost, low-quality goods and services. How can Tata transcend that image? One option is to follow the example of Sony and create a global brand that is not country-specific.

But there are risks here, too. Tata's brand is linked to its Indian identity. "To tell a story about Tata is to tell a story about India," says Peter Unsworth, chief executive of Tata Global Beverages. Cutting the links with its Indian identity could do the Tata brand much more harm than good.

How can companies avoid these problems? Prof Barwise advocates a "back to basics" approach. A key element in any successful brand, he says, is trust. Customers have to believe that a brand's values are real, not just corporate communication-speak.

The Tata brand in India has been built on this basis. Indian customers know that Tata products and services will always deliver what they promise. Maintaining trust is key to maintaining the brand. "Our brand represents a framework of fairness and equality," says Ratan Tata, leader of the Tata group.

Corporate communications, such as advertising, play a relatively minor role in this process. It is what the company does, not what it says, that reinforces the brand in the minds of customers. Apple has superb corporate communications, says Prof Barwise, and it is "brilliant at the theatre of product launches". But the products themselves are what keep people buying Apple products. If they did not deliver on the promise made through corporate communications, Apple would not have a brand.

By contrast, BP's switch to an eco-themed logo in 2000 and a new slogan, "Beyond Petroleum", to highlight the company's apparent switch to more environmentally friendly energy, has not protected it from criticism in the wake of the Deepwater Horizon disaster. If anything, as with Google in China, it has become a stick with which critics have been able to beat the company.

"Brands have to understand that they are service providers," says Prof Deshpandé. "They no longer shape people's ideas."

Instead, people engage in what Jonathan Schroeder, a professor at University of Exeter Business School, calls "brand co-creation". Customers do not just communicate with the company, he says. Increasingly, they also communicate with each other, and it is the stories they share that shape the brand. Companies that recognise this accordingly spend more time listening to customers than talking to them. "It is the stories that consumers tell each other, the experiences and values they share, that really shape the brand," he says.

The rise of social media has only amplified this. Reinier Evers, founder of Trendwatching.com, says the rise of Twitter, the microblogging website, enables companies to monitor what people are saying about them but also help them to engage actively with consumers.

"Many companies say they can't afford two people to monitor and engage with comments, but this is what companies need to do," he says. "They need to be engaged in a constant conversation so that massive surprises don't occur."

Above all, brands need a chief executive to be their champion. “Experience shows that if the leader is not involved, the chance of success is greatly reduced,” says Mr Roll. At Apple, for example, Steve Jobs defines and champions the brand.

Will Google’s reputation survive the assaults on its image? It is taking steps to remedy perceptions of the company. More important, the warning signs are clear: Google, and other global companies, cannot rely forever on past goodwill to keep them going.

As Markham Erickson, executive director of the Open Internet Coalition, an industry trade group of which Google is a member, puts it: “When you’re big, you’re not cute any more.”