



HIGH-DEFINITION NEWS

Reputation Marketing: Making Lemonade Out of Lemons and License Plates

By Clark Crowds

Here's the latest counter-intuitive marketing trend: go to jail — improve your reputation.

Martha Stewart isn't the only brand name capitalizing on a founder's stint in jail. A prominent footwear retailer is also promoting the release of its founder, Steven Madden, from the "Big House"—in this case, federal prison in Florida, where he has resided since 2002 for a stock-fraud violation.

Company marketers couldn't resist associating this event with the "springtime" release of its products which bear Madden's name. The campaign ads appear in trade magazines, newspapers, and on bus shelters on the streets of Manhattan trumpeting these words: "A new meaning for the word 'spring time'. Steve returns. Spring 2005." Not exactly putting your best foot forward.

Not to moralize here. In fact, these are penultimate examples of the old saw, "making lemonade out of lemons" (or, in this case, license plates). It's a specialty of the marketing profession. And one with precedent: Richard Nixon's transformation from disgraced US president in the 1970's to elder statesman in the 1980s was a forerunner of some of today's less subtle campaigns.

The lessons are instructive for mainline corporations as well, and there are scads of companies that are employing, or could use, a little reputation marketing these days.

Take, for example, computer maker Hewlett-Packard and insurance giant AIG.

These two blue-chippers are focusing, as they should, on *operations* in the wake of the departure of their famous CEOs. By hiring new executives who have solid operational backgrounds, they will quell shareholder angst and recast their enterprises as companies that are sticking to their knitting and that will provide excellent shareholder and customer value in the long run.

But more important for any CMO or Chief Public Relations Officer (CPRO) concerned about whether their company is teetering on the brink of trouble is the proverbial "ounce of prevention."

Here are a few thoughts on the fundamentals of reputation building and crisis survival:

Prevention

Companies of the size and complexity of those mentioned here should spend a lot of time going to the reputation "bank" and making deposits. If Hank Greenberg, who ran AIG for more than 40 years, can fall in a business scandal, it's likely that in the life of *every company* the need to make withdrawals from a carefully built reputation account will come.

Here are a few checklist items for those in "prevention" mode:

Identify the audiences of importance and know how to communicate to each

— This includes shareholders, regulators, customers, employees, and suppliers. Determine what messages *and corporate actions* will convince each of these audiences that the company is wholesome, compliant, and stable.

Understand compliance issues and know where your company stands

— In this age of corporate governance and accounting reform, it's a good idea for the CMO or the CPRO to determine very clearly what their company's fiduciary duties are in the new environment. If you suspect—or worse, know—that your company is not in compliance with *any* regulation, get ready to play 'defense' in terms of communications. If you are in compliance, issue it as news to your key constituencies and relevant media.

Bolster community relations activity — Select appropriate forms of grassroots volunteer activity or charitable giving in keeping with your brand promise and the type of business you are operating. Get executives active on boards of non-profit and community-based organizations. Again, be sure to proactively communicate the good things you do to the communities that you serve. These are *in addition to* (hopefully) long-standing strategic communications programs which build brand and company reputation.

Promote your Founder/CEO if he or she is worthy of it — For example, Sir Richard Branson of Virgin Group is perhaps the best example of a chairman who is admired for his entrepreneurship. In his 20s he first signed the seminal punk band, the Sex Pistols, to his record label, and has built his Virgin Group of companies into an \$8 billion international conglomerate. His latest exploit? The private exploration of outer space.

Consider creating a corporate responsibility program — If you don't have a CR program, strongly consider building one. Working to develop sustainable and renewable resources is crucial for manufacturing or extractive industries in particular, but even "clean" businesses like banking can set up CR programs featuring such activities as computer hardware recycling.

Select one or two high-visibility societal issues to focus on and join the dialogue

— Devise a plan to become a local, regional, or national leader on issues that matter to your company or your key constituents. Join boards; chip in on awareness campaigns; contribute to issue-oriented blogs; and raise your visibility as a player. John Bogle, founder of the Vanguard Group of mutual funds, has been a crusader for integrity in the mutual fund industry and a leader in business ethics. His leadership has been the foundation of Vanguard's reputation as a safe haven

for retirement nest eggs.

When a Crisis Occurs

Assuming you've been doing some or all of the above, you can also make other bold moves to bolster your image in a crisis. The keys are speed and sincerity.

Here are a few more tips:

If you're in a crisis, act quickly and honestly — Use the Tylenol packaging tampering scare of 1982 as your guide. The company quickly assessed the situation; removed *all* products from store shelves; and took the financial hit. Then it distributed *new* tamper-proof packages of its products. The company's credibility and public good will from the product recall not only saved it, but helped the pain relief brand gain a stronger and nearly invincible reputation that exists to this day.

Be decisive — If a change in the senior ranks of management is necessary, speed is of the essence. Publicly held companies would likely look to a successor who will inspire confidence on Wall Street and in the investment community. Both AIG and Hewlett-Packard did this, selecting successors who were perceived as stable and operations-oriented. Closely held companies should pay special attention to customers and suppliers and make sure they are kept abreast of any unfolding situation.

Line up credible third-party experts to come to your aid — Analysts, industry experts, journalists, and anyone else *not directly connected to your company*, but who know and admire the company or its work, or are at least experts in your industry.

These are some of the techniques that have worked in the past. Your own situation may be unique, but the fundamentals of knowing your constituencies; employing prevention techniques ahead of a crisis; and acting quickly and honestly in a crisis will serve any enterprise well.

Done right, it can even turn potential trouble into a competitive advantage.

Your feedback is welcomed and should be directed to Clark Crowder, Principal, High-Definition Consulting Group at clark@high-def.biz.

RESOURCES:

The following resources are recommended by High-Definition Consulting Group:

Foundation: Bogle Financial Markets Research Center — Investor advocacy group. http://www.vanguard.com/bogle_site/bogle_home.html

Web Article: AIG's Greenberg: the anti-Buffett — From MSN Money. <http://moneycentral.msn.com/content/invest/extra/P112938.asp>

Article: What does it take to rebound? — From the Desert Sun (Palm Springs).

<http://www.thedesertsun.com/apps/pbcs.dll/article?AID=/20050327/NEWS01/503270323/1006>

Association: Public Relations Society of America — Crisis communications education and information. <http://www.prsa.org/>

Web Site: Federal Reserve Board/Community Reinvestment Act — Information on the Act, which compels financial institutions to invest in local communities where they take deposits. <http://www.federalreserve.gov/dcca/cra/>

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