



HIGH-DEFINITION NEWS

Big Oil Marketing Gets D-: Reputation Is the Bottom Line

By Clark Crowdus

The stony silence of oil company CEOs in the face of criticism of record profits—at the same time that record prices are being seen at the pump globally—is emblematic of a corporate goal that is not in synch with the needs of its consumer constituency.

In other words, while Big Oil gets exceptional grades in two of five of marketing's "5 P's"—Product (high-performance, clean-running fuels) and Place (widely available product and no shortages)—its current Pricing (high) and Promotion (i.e., *all* of its communications) are negatively affecting its overall Position in the marketplace.

As an example, when NBC-TV's *Today Show* reports that it cannot get *any* oil company CEO to discuss the price of summer gasoline for its annual summer vacation series, "Pain at the Pump," the public perceives this and other bad Big Oil PR moves as arrogance and indifference by decision-makers, reinforcing negative perceptions. Politicians get on the bandwagon and hold press conferences; there is talk of a tax on windfall profits; and afterwards everyone goes on a more expensive automobile vacation than last year.

In the past, the whole thing has blown over.

Yet, this won't always be the case and what oil industry leaders need to think about is how both *pricing and reputation* are tied to their bottom line and then how to improve them both. A hit to reputation almost always produces an immediate and equal hit to the price of stock. And even when it doesn't, as is currently the case with oil businesses, the day of reckoning eventually comes.

If the Big Oil brands are associated long enough by the public with arrogance and hubris, then when the time comes for those businesses to draw on the public's goodwill for a major industry initiative, or to advance an important business shift that requires public understanding and support, they will find the goodwill account empty. What if elected officials perceived the oil business as weakening and a drag on their own reputations? Those much-discussed windfall profits taxes could very well become reality. Investors in the oil industry, take note.

And 'quick-fix' reputational advertising—or for that matter, business-as-usual fuel advertising—may even backfire in times like these, since the public consciously rejects the advertising before it has a chance to communicate.

There is plenty of good experience and best practices out there for the oil companies to draw upon, and other businesses have led the way, blazing some new trails in an effort to burnish reputation. For example, Wal-Mart became keenly aware of its poor reputation and in the past two years has embarked upon a major reputation initiative. While this was late in coming, it is beginning to bear fruit. The lead element of Wal-Mart's strategy is an annual media conference in which the company invites any reporter to attend; hear presentations; and ask any and all questions—with all of Wal-Mart's responses *on-the-record*.

Next came Wal-Mart's efficient and generous response to the Hurricane Katrina disaster. When preceded by an intensive 18-month media blitz focused on building goodwill, the accrual to Wal-Mart's 'reputation account' was significant. The company's disaster response resulted in Wal-Mart earning the top rating in last fall's Delahaye Index, which tracks the reputation of the USA's top 100 companies. Media could have ignored or downplayed Wal-Mart's role, but it chose to highlight it and even contrast it with the poor performance of politicians and the government. This is because of the groundwork Wal-Mart laid previously.

Besides the good-will visibility of the world's #1 retailer, Wal-Mart, many other corporations are, of course, doing good things. Coors Brewing Company has championed efforts to communicate the dangers of kids drinking alcoholic beverages. And most banks have embarked on educational programs to improve consumer financial planning and to bring banking services to diverse segments of the population.

Oil companies do good things, too.

For example, BP, seeing the effects of global warming *in 1997*, repositioned itself proactively to address the issue by announcing—and then exceeding—quantitative targets for reducing carbon emissions from its operations. BP then provided objectively verified annual reports on its progress. And since 2001 Chevron Corporation has made it a permanent policy to evaluate the impact of greenhouse gases for all capital projects. Chevron also supports studies and other activities to increase knowledge that helps improve biodiversity conservation practices in the private sector.

But what oil companies fail to do is *get credit for what they do accomplish*. When oil producers close refineries, they are accused of limiting supply, but couldn't that just as easily be perceived as limiting pollution as well? Regardless of industry or scope of operation, there are things that marketers can and should do now to build up the 'reputation account' and thus add to the value of their brand.

Following are a few ideas for making deposits in the 'reputation account':

Walk the talk — Don't just spin words, but back words with actions. Oil companies could do many things to support environmental improvement to improve their image and in ways that would not damage their profits. For example, co-branding a campaign with auto manufacturers to promote the use of smaller, fuel-efficient cars. Or, supporting and promoting public transportation and ride-sharing *on a large scale*. Or devoting much more to research for alternative energy sources. In so many words, do the kinds of behaviors

that are industry-appropriate; *then*, crank up the PR team to get the word out so you can take credit for good deeds.

Media Education — Brownbag lunches at the media newsroom, one-on-one coffees, or any face-to-face meeting where your experts or executives can bring learning and background information to writers and editors. These meetings should be based on broad topics without any specific pitch. They are designed to deliver information to writers and editors who change beats and media fairly rapidly and need quick primers on specific topics. For example, a backgrounder on the roles and responsibilities of auditors following the Enron debacle could have helped the accounting industry considerably when this scandal broke into the news a few years back.

Create and distribute targeted white papers — Another form of media education. One- or two-page documents that cover an area of interest and that relates to your business. For example, distributing a white paper on how workers' compensation rates are set to writers covering insurance could help to forestall business criticism of future rate increases.

Direct communication — When media won't support your messages, go direct with newsletters, blogs, your Web site, paper-based newsletters, advertorials, and other vehicles.

Integrate all media — Be sure that advertising, public relations activities, even employee communications carry integrated messaging that strengthens and demonstrates your brand promise and your value propositions.

While elements of the marketing mix may become uncontrollable for Big Oil—or any business—positioning and communication are clearly controllable and in the long run offer the greatest opportunity for leveraging reputation.

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

Resources:

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

Magazine: Corporate Reputation Review <http://www.palgrave-journals.com/crr/index.html>

Book: The 18 Immutable Laws of Corporate Reputation, by Ronald J. Alsop

List: Fortune Magazine special reports on Corporate Reputation
http://www.timeinc.net/fortune/datastore/reputation/cr_report.html

Article: "Managing the Corporate Brand - A Reputation Perspective"
<http://ezinearticles.com/?Managing-the-Corporate-Brand---a-Reputation-Perspective&id=24728>

Web Site & Article: Research & Markets; "Crisis Management and Corporate Reputation http://www.researchandmarkets.com/reportinfo.asp?report_id=29727

Article: "Peak Oil 'To Do' List: Why We Should Do These Things Anyway"
<http://www.energybulletin.net/5251.html>

Web Site: Coors Alcohol Responsibility Program
http://www.coors.com/part_resp_prev.asp

Article: Sustainable Business.com: Changing the Game: Leading Corporations Switch from Defense to Offense in Solving Global Problems
http://sustainablebusiness.com/features/feature_template.cfm?ID=1318&page=2

Web Site: Chevron Corporate Responsibility Report
http://www.chevron.com/cr_report/2005/priorities_progress_plans/env_management/

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