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## Corporate Image Research / 1

# Corporate image and its importance

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### **What is corporate image?**

Most market research information relates to consumer evaluation of products or services produced by corporations. However, corporations need information from consumers that is not directly related to the products (or services) but to the company itself. Such information gathering is commonly referred to as corporate image research.

While product oriented research concentrates exclusively on consumers, corporate image can include other influential groups such as employees, opinion leaders, the general public including people who are not current or potential users of products, government officials, suppliers and other such groups.

Corporate image research, then, is the image of the corporation that is behind the brand-not just among consumers or potential consumers, but among any group that can potentially affect a corporation. Robert Worcester (Consumer Market Research Handbook, ESOMAR, 1986) defines corporate image as the 'net result of the interaction of all experiences, impressions, beliefs, feelings and knowledge people have about a company'.

### ***Potential target audience for corporate image studies***

#### *Consumer oriented*

- Consumers/customers
- Opinion leaders-informal
- Opinion leaders-formal
- General population

#### *Stockholder oriented*

- Shareholders
- Business community

#### *Supply oriented*

- Suppliers
- Buyers

#### *Employee oriented*

- Employees-mangement
- Employees-non-management
- Employees-potential

### **Why is it important?**

In recent years, there has been an increasing degree of social consciousness. Corporations are looked upon not as simple purveyors of goods and services but as bodies that affect the society in positive and not-so-positive ways. The view is not unreasonable when we consider how powerful corporations can be. For instance, in any

one year, the income of the world's 50 biggest corporations is more than that of Japan and half that of the United States. Large corporations can create or eliminate tens of thousands of jobs and this can have considerable social and economic implications.

Corporate image can potentially affect sales in ways that are unrelated to the performance of products and services themselves. For instance, if a corporation is perceived to be carrying out activities that pollute the environment, consumers may not buy its products, even if they are the best available on the market. If a corporation is in the business of supplying arms to oppressive regimes, people may not want to invest in that corporation even if the return on investment is excellent.

Even when strong principles are not involved, a corporation can have a negative image-for being unfair to its employees or for evading taxes for example. All this can affect a corporation's sales negatively.

Another situation in which corporate image is important is when competing products are largely indistinguishable in terms of product attributes or price. Consumers do not have to pay a price (in terms of quality or value) for acting on criteria related to corporate image.

Conversely, a corporation can be perceived as a positive force or a 'good corporate citizen'. Positive image can affect sales positively.

The current international trend is towards removing trade barriers among countries. In new markets, the reputation of the corporation is likely to play as important a role as the brand itself (with which many consumers may not be familiar).

The quality of product or service is only one of the factors affecting buyer behaviour. There is some evidence to support the maxim that 'people do business with people they like'. Corporate image indirectly measures how much a corporation is 'liked'.

As consumers become increasingly socially conscious and as products become more and more standardized, one can expect corporate image to play an increasingly important role in consumer choice. Increasing availability of new markets will also contribute to this trend.

There is yet another reason for studying corporate image. Proliferation of brands makes it increasingly difficult for a consumer to distinguish among available brands/products. Positive corporate image is likely to help ensure that your brand ends up on the short list of brands that consumers are willing to consider.

### ***Major factors that influence image***

1. The product/service
2. The brand of product/service
3. Consumers who use a brand/service
4. The corporation that is behind the brand/ service

### **What factors influence image?**

Image is influenced at several levels.

- What is the image of the *products* ?

Consider beer. How is this product as a whole perceived? How does the image of beer differ from the image of wine, for instance?

- What is the image of this *brand* ?

Again, the image of brand within the beer category-Heineken as opposed to Molson Blue-is likely to be different.

- What is the image of the *consumers* of the brand? Who are the people who are likely to use this brand

as opposed to other brands?

- What is the image of the *company that produces* this brand?

While the second and third aspects of image-brand and consumers-usually are researched, relatively little attention is paid to the first (product) and last (company) aspects of image.

### **Other factors that influence image**

There are also other factors that influence image. One such factor is whether a product is new or established.

For instance, when little information is available on the product itself, corporate image is transferred to the product or brand in question. However, the influence diminishes as the product/brand becomes better known. For instance, when IBM introduces a new product, it is likely to emphasize corporate identity and to build confidence among buyers. However, when the product is well established, product image, rather than corporate image is likely to be more relevant, even though corporate image will continue to play a part.

Another influence on image is the place of origin. For example, according to a Forbes article (March 1991), Chrysler Plymouth Laser averaged sales of 13 cars per dealer while Mitsubishi Eclipse averaged sales of 100 per dealer. The interesting thing to note here is that the two cars were exactly the same, built in collaboration between Chrysler and Mitsubishi. What moved the car is the corporate image. Presumably the Japanese reputation for quality contributed to the positive corporate image of Mitsubishi.

While such influences can have multiple effects, in general they are usually measured as a part of one of the four factors listed in the previous section.

### **What are the sources of corporate image?**

Experience with the products a company manufactures, their price, the way they are packaged, promoted and distributed, the company's longevity and other such factors contribute to the corporate image. As a company becomes better known, other factors become more visible to consumers-how employees feel about the company, how the company treats its suppliers and customers and how much social concern the company shows with regard to social issues such as environment and community affairs. The contribution of these factors to corporate image also changes with time. For instance, if pollution is a major social issue, companies which are perceived to be polluters will suffer a major image problem. This would not be the case when pollution is not a major social issue. Since social concerns change with time, maintaining a positive corporate image requires an understanding of the changing social scene.

### **Why bother about corporate image?**

The main reason for maintaining a positive corporate image is that a positive corporate image is expected to increase the consumer's propensity to buy the products/services marketed by the company. It decreases a company's marketing costs by increasing the responsiveness of consumers to the company's communications regarding its products and services.

Research also shows that the level of trial is higher for products marketed by companies with a positive corporate image than for products marketed by unknown companies or companies with a negative corporate image. A British survey found that 7 out of 10 people agreed with the statement that 'a company with a good reputation would not sell poor products'. Fourteen percent more people say they would buy a new product from Heinz than from an unspecified company. (Worcester, 1986).

In a world that is changing as radically as ours, it is important that new products be introduced at lower costs. In fact, introduction of new products may be critically important to the growth or even the survival of many companies. A positive corporate image enables a company to cut the cost of survival and growth.

### **Image as a function of familiarity**

While it is generally assumed that attitudes give rise to behaviour, in recent years this has been challenged. The relationship could in fact be reverse-it is behaviour that gives rise to attitudes. For instance, Ehrenberg proposed the following relationship between usage and attitude.

$$A = RU$$

Where, A = Attitude; U = Usage; and R = a constant that could vary from product category to product category.

What this equation implies is that given the usage level of a product (U), one could predict the attitude rating for each brand in a product category. This relationship is generally found to hold for most product attribute ratings. However there were two exceptions:

- When a product is advertised as having a particular attribute (eg. Ivory liquid is soft on hands); and
- When an attribute is highly visible (eg. Weetabix goes soggy in milk).

In most other instances, the attribute ratings simply follow the usage level.

In corporate image, there seems to be a parallel. In general, familiarity with a corporation translates into positive feelings towards that corporation. The exhibit on this page (from one of the studies I carried out for a client, ) shows that in general, familiarity translates into positive corporate image. (This pattern has also been observed in other studies).

We can roughly state the relationship between familiarity and positive image as a function of familiarity:

$$I = f(F)$$

or more simply,

$$I = RF$$

Where I = Image, F = Familiarity and R = a constant within a particular group of corporations.

Support for this model is available not only from my work but from the work carried out by MORI in England (as reported by Worcester) on the basis of image ratings of 45 corporations:

Familiarity Favourability

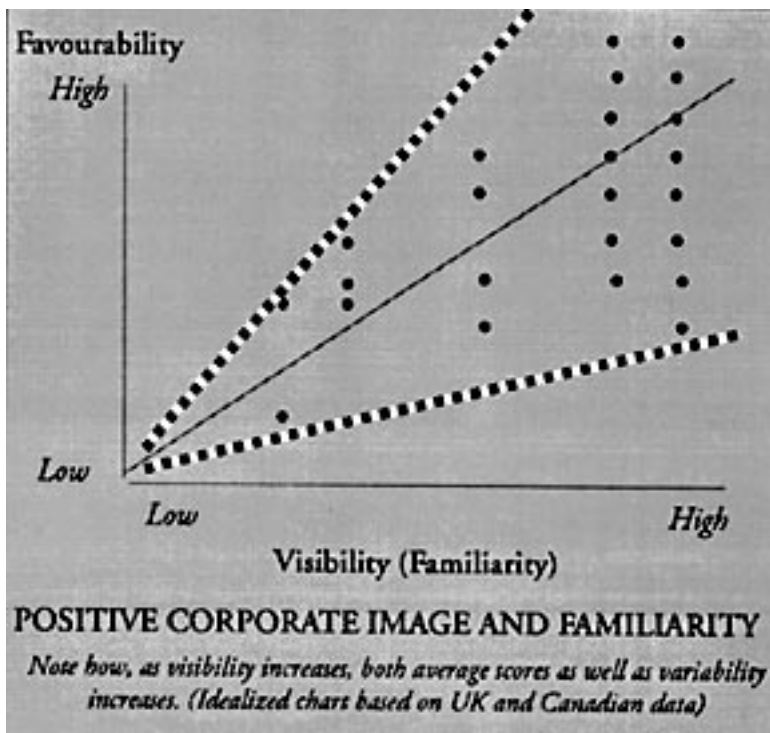
Just heard of 0.41

Know just a little 0.63

Know fair amount 0.83

Know very well 1.13

However the relationship is somewhat less elegant than the one found for brand image ( $A = RU$ ). As the graph shows, the variance tends to increase as familiarity increases. This means that while lack of familiarity leads to a poor corporate image, familiarity does not automatically lead to a better corporate image. It would appear that familiarity on the whole leads to a better image. However, this visibility can be a two-edged sword. It can lead to sharp movements in either direction.



In other words, a less visible company has less to lose or gain by its action than a highly visible company.

You should note the following:

1. To acquire a positive corporate image, a corporation should increase its visibility.
2. Increased visibility generally results in a positive corporate image.
3. Increased visibility also makes the corporation vulnerable to negative information about it.
4. Because larger corporations are generally more visible, they are also more vulnerable.
5. Therefore, it is considerably more important for large, visible corporations to maintain a positive profile than it is for a small corporation. Corporations must not only be visible but must also constantly project a positive image.

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