

The Importance of Business Reputation

Business Reputation By Leon Bracey



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The reputation of a business is essential to its survival. The trust and confidence of the consumer can have a direct and profound effect on a company's bottom line. Recently, the importance of reputation has become increasingly apparent, as companies such as BP and Toyota have had to cultivate their responses to crises in order to maintain the reputation and standing of their companies to the world.

In the past, businesses relied on word of mouth by their stakeholders in order to establish, build and maintain their reputations. In this modern age of social networking, websites, and other methods of instant communication, businesses must be conscientious of their reputations on a constant basis and be responsive to any crisis that may have an impact on their reputation.

While an intangible concept, having a good reputation can benefit a business in a multitude of ways including: consumer preference; support for an organization in times of crisis or controversy; and the future value of an organization in the marketplace.

If an organization has a good reputation in the marketplace, consumers may have a preference for that company even if there are similar businesses offering the same products or services for different prices. The reputation of an organization can enable a company to differentiate its product in highly competitive markets, allow it to have premium pricing, and can become the ultimate factor in whether a customer decides to patronize one business over another.

Research shows, for example, that due to an increased demand for healthier foods, organic products,

and more environmentally friendly food, companies have begun to distinguish their products through food labeling, and are noticing that consumers are willing to pay a premium price for labels that are considered to have more of a prestigious reputation than others.

An American study indicates there are ten main components of organizational reputation used in reputation measurement systems:

1. Ethics: the organization behaves ethically, is admirable, is worthy of respect, and is trustworthy.
2. Employees/workplace: the organization has talented employees, treats its people well, and is an appealing workplace.
3. Financial performance: the organization is financially strong, has a record of profitability, and has growth prospects.
4. Leadership: the organization is a leader rather than a follower, and is innovative.
5. Management: the organization is well managed, has high quality management, and has a clear vision for the future.
6. Social responsibility: the organization recognizes social responsibilities, and supports good causes.
7. Customer focus: the organization cares about and is strongly committed to customers.
8. Quality: the organization offers high quality products and services.
9. Reliability: the organization stands behind its products and services, and provides consistent service.
10. Emotional appeal: it is an organization I feel good about, is kind, and is fun.

Additional components were found in some of the systems studied. These included value, differentiation, presence, and communication quality.

Organizations looking to build their reputations can do so in a number of ways in order to increase profitability and establish themselves in the market.

1. Establish trust – Keeping your word no matter what in terms of providing services, paying vendors when they are due, and keeping promises to customers. This will help solidify and build credibility with customers.
2. Be responsive – Return calls and answer emails promptly, letting the customer know their importance to you and your organization.
3. Resolve errors and mistakes – Never make excuses or place blame on the customer if it is an issue that is the fault of you or the company. An irate customer can become your biggest ally if you make an effort to resolve errors or mistakes as quickly as possible.

4. Offer value – Offering free services to loyal customers and paying attention to details and preferences of the customer can go a long way towards establishing your company's reputation in the market.
5. Be sensitive to privacy – With rampant identity theft and hacking, being aware of the sensitive nature of financial information is more important than ever.
6. Become technologically savvy – Demonstrating a proficiency in technology can add to the reputation of a company and is critical to being perceived as a competent and capable business. Computers, software, voicemail, websites, and social media sites must be kept up to date.
7. Communicate effectively and transparently – Correspondence such as letters, emails, voicemails and other methods of communication should be direct and to the point. Use correct spelling and grammar and leave contact information for the customer and company information such as full name, address, phone, fax, website URL, toll-free number, hours and other vital information – is displayed in prominent location.
8. Maintain a polished and professional website – Having a clean, up-to-date, professional website is absolutely vital today, regardless of the type or size of business.
9. Community Service – Generosity to local organizations such as non-profits can go a long way toward building and establishing the reputation of your organization. Community service can include providing a service pro bono or donating money, time or food for an event or fundraiser.

Before the age of social media sites such as Twitter or Facebook, the reputation of a business mostly relied on word-of-mouth or carefully cultivated campaigns by public relations and marketing firms. Maintaining the reputation of a company through social media takes time and requires educating stakeholders within the organization, making them aware of a company's internal values and key messages that need to be conveyed as well as creating a united, consistent voice. Businesses can establish the reputation of their company by:

1. Assigning responsibility – As a business leader, you must trust someone to have the ability to

become the “face” for the organization on a social networking website. Choose someone who will have the time to dedicate toward updating and maintaining the social networking site as well as responding to customer inquiries or complaints.

2. Keep your staff informed and educated – Give your staff an idea of what can and cannot be said on social networking sites as well as keeping them aware of the latest marketing and communication campaigns or any sort of company policy that will be implemented that will have an impact on the customers. Keep each division and all staff members aware of each other so the message that will be disseminated will be consistent to the mission and “voice” of the company.
3. Be responsive in times of crisis – As Gemma Craven, EVP of Ogilvy PR’s 360 Digital Influence team says, “It’s no longer the Golden Hour, but the Golden Minute. Lack of a well-crafted, well-meaning response could cost you.” Creating numerous social media sites has given customers multiple options to voice their opinions – either negative or positive – about your company. Taking ownership of your social media sites will give you the control you need to manage the conversation and quickly respond to feedback. Monitoring and responding to customers and resolving issues quickly will go a long way toward establishing a positive reputation for your organization.
4. Establish your online reputation – When a potential customer searches online for the name of your company, your business should be on the first page. In addition, social networking sites such as Twitter, Facebook, or LinkedIn should also be on there once those sites are created and established. Creating a strong online presence is essential for an organization to establish its brand and maintain its reputation.
5. Monitor conversations – Once social media sites are created and established, use social media monitoring tools such as Google Alerts, Trackur, or SocialMention in order to find out what sort of feedback your company is receiving; this is also a time-saving tool for the person in charge of social media content. Since social media sites are a public platform in real time, the reputation of your company is apparent to many potential customers, and how your company responds may have an impact on their purchasing decisions.

The reputation of a business depends on a number of factors, including ensuring that the business delivers on its promises to customers and vendors. Being transparent, trustworthy and responsive are essential to the survival of any company. While considered to be an intangible asset, maintaining a positive reputation is fundamental to the profitability, relevance, and existence of your business. Bad word-of-mouth, lack of response to a crisis, and lack of transparency can rapidly decimate the reputation of a company, so it is essential that business owners be steadfast in maintaining goodwill to their stakeholders.

About the Author

Leon Bracey works as a Business Development Leader for Brown Public Relations (www.brown-pr.com) in Atlanta and has experience with establishing identities and building online reputations for a variety of American Companies.