

# Coffee Break

Edelman in Australia - Our Point of View



## “The Perfect Storm”: Understanding the Corporate Impact of the Democratisation of Media

Corporate leaders and their communication advisers, perhaps for the first time in a decade, are now having to re-evaluate how their organisations engage and build relationships with their key stakeholders, given the rapid pace of change driven by the speed of technological development.

Today, through technology, criticism can be personal but reach millions, and consumers can create their own media for personal consumption anywhere, any time. Today's early adopters will be tomorrow's mass users – iPod's are almost ubiquitous and interactivity via the internet is a daily way of life.

While popular focus so far has been on the entertainment opportunities this technological evolution offers, the implications for business are considerable. Consider recent trends that now directly affect corporate reputation internationally:

- ◆ The growing credibility, as reliable sources of information, of peers such as employees, friends and family, as trust in traditional institutions and figures of authority continues to erode
- ◆ The sheer ease of access to broadband at home and at work driving huge growth in usage and credibility of the internet, so that it now far outweighs traditional media among influential stakeholders as an information source about and for corporations
- ◆ A generation of young people moving to online sources of information and creating their own 'tribes' of peers with similar interests, as they forgo traditional media such as television, newspapers and magazines
- ◆ The strategic impact of new technology on communication channels – blogs, podcasting, DVRs, RSS feeds – resulting in the erosion of more traditional top-down communication models
- ◆ The expanding influence of the unstructured “blogosphere,” which provides companies and individuals with a new channel for real-time input and dynamic discussion in advance of traditional media cycles.

For all of us in business, these are challenging times. Never before has this ‘perfect storm’ of change,

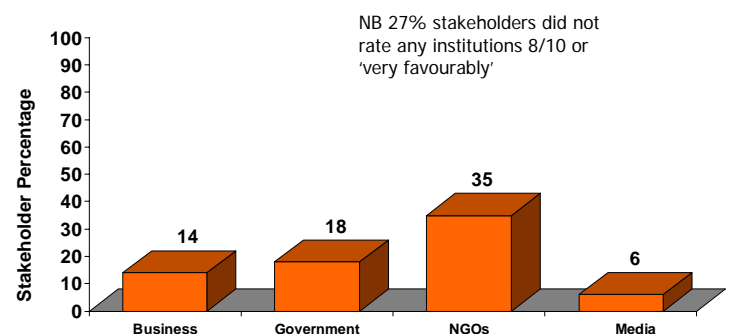
fuelled by major advances in technology, so fundamentally changed the rules of the game – and forced us to look again at the building blocks of corporate and brand reputation.

To help understand and quantify these changes closer to home, Edelman conducted research late in 2005 into the trust stakeholders have in Australian institutions and channels of communication as the basis for forming opinions, as part of an annual study we conduct throughout Asia (140 face to face interviews, opinion leaders in Govt, NGOs, trade associations, institutional investors, media, business, employees, up scale consumers).

This data is compelling and is changing the way we consult to our clients. Consider this, in Australia:

### Trust in Institutions

*“Using a scale of 1 to 10 where 1 means ‘Not trustworthy at all’ and 10 ‘Very trustworthy’, please tell me how much you trust each type of the following institution to do what is right. (Percentage equals 8/10 or above for each institution)”*



Base: n=140

Influential and informed Australians increasingly have less faith in our institutions, preferring the opinions of those without perceived ‘vested interest’ and thus greater credibility.

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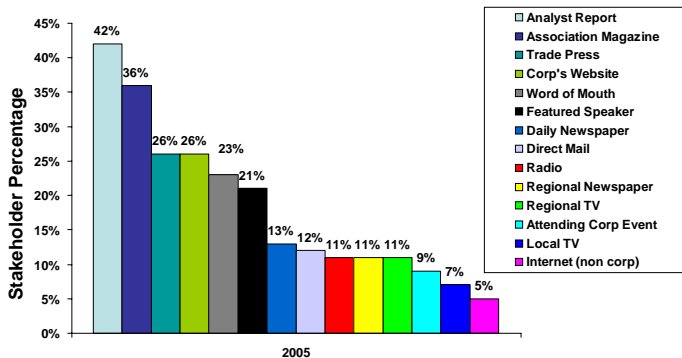
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## Channels: Degrees of Trust and Believability

The Internet ranks more highly than daily newspapers and radio combined, as a source of trustworthy information about organisations – paradoxically, even if that information is ‘sponsored’ by the corporation. Time poverty and speed of access are increasingly driving information relevance.

*“How trustworthy and believable do you feel certain communication vehicles are when passing information along about a corporation? (Percentage equals 8/10 or above for each institution) ?*



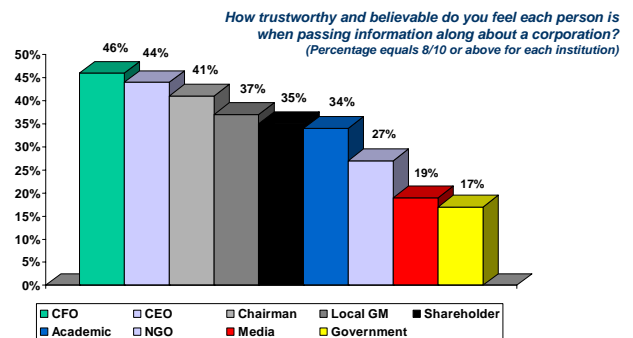
Whether we look at corporate reputation, stakeholder engagement or brand promotion, the implications are considerable. Online strategies, beyond the standard corporate or product website, must now be front and central to effective communications planning. This means making online content interactive and ‘conversation’ based.

For example, Thought Leadership strategies, positioning senior management on key issues of the day, will be lead by online content and reference-ability, searchable through Google. Issues management must take account of influential blogs (web logs) which are increasingly influencing mainstream media opinion.

While not the subject of our study, it’s clear that product marketing strategies, particularly those aiming at Generation Y consumers or younger, can no longer rely on traditional media – this group are cynical, selective and need engaging on their own terms, with their ‘tribal peers’, largely through channels which didn’t exist five years ago.

## Building Trust through Appropriate Channels

*How trustworthy and believable do you feel each person is when passing information along about a corporation?”*



Data on the credibility of corporate spokespeople in Australia confirms that the closer a person is to detailed knowledge about an organisation, the higher their credibility as a source of information. While other studies confirm that ‘people like me’ are the most trustworthy sources of information on any topic, as part of a general international trend showing that community trust is lessening in traditional institutions, key company officers still rate most credibly.

Taken alongside the data on the rise in credibility of the corporate website as a communications channel, ensuring higher visibility for individual senior management through on line participation – rather than the traditional third person approach – should be part of the reputation management mix.

## Characteristics of Corporate Responsibility

Characteristics of a Responsible Corporation in Australia	2005
Stands behind its products/services when something goes wrong	89%
Provides senior leadership that can be trusted	87%
Operates in an open and transparent fashion	79%
Offers top quality products/services	76%
Listens to customer attitudes and opinions on satisfaction	75%
Communicates frequently and openly with employees	71%
Provides profits for its owners and / or shareholders	66%
Works hard at building relationships with core audiences	63%
Provides good training and development for staff	63%
Concerned about/active in doing something about community welfare	34%



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From a corporate reputation viewpoint, traditional levers still dominate – product and service quality, and support if something goes wrong; and senior leadership that can be trusted.

'Open and honest' operation is also increasing in importance as a reputation driver. However, 'community welfare involvement' has limited appeal across the board as a reputation driver. Corporate Social Responsibility activities, particularly those involving community activities, are not having the cut through with influential stakeholders that we had expected to see.

While there is no definitive data on reasons for this, it is likely that CSR strategies are only now starting to be holistically linked with corporate strategy.

Anecdotal evidence suggests that organisations which integrate CSR into their everyday modus operandi can expect to see 'community involvement' increase in value as a reputation driver. Our study suggests this is not yet widespread in Australia

## Where to from here?

The fundamental drivers of reputation for corporations remain the same and of critical importance. However greater 'democratisation of media' - where people select and tailor their information consumption according to their specific interests, can contribute their opinion and have it influence broader attitudes almost instantaneously, aided by technology that makes this easy – is changing the way and speed in which relationships are built and opinion is formed around these key drivers.

While not losing sight of the fundamentals, organisations need to adapt to and understand this change, despite the fact that it is uncharted territory.

For more information on Edelman's Australian Stakeholder study in Australia, or the broader Asian results, please contact David McCarthy (Melbourne).

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**Edelman specialises in developing stakeholder engagement for organisations directly linked to defined business goals - from research and needs diagnosis through strategy development to implementation of reputation enhancement programs. Work with opinion influencers and employees is a specialty.**

## References & Further Reading

- 1 'Getting perspective: Stakeholder Expectations of Corporate Australia' <http://www.edelmanapac.com>
- 2 'Public RelationSHIPS: Communications in the Age of Personal Media' <http://www.edelman.com/insights/>
- 3 'Corporate Communications In the Age of Citizen Journalism' panel discussion <http://www.edelman.com/insights/>
- 4 Edelman Global Trust Barometer 2006 <http://www.edelman.com/insights/>
- 5 'The Global Contract' Ian Davis, McKinsey [http://www.economist.com/displaystory.cfm?story\\_id=4008642](http://www.economist.com/displaystory.cfm?story_id=4008642)