



## Reputation equals 22% of S&P 500 market cap: study

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NEW YORK: The combined value of the corporate reputation of the S&P 500 is worth almost \$3 trillion, nearly 22% of its total market capitalization, according to a study released this week by Echo Research in association with Reputation Dividend.

The sixth-annual “2013 US Reputation Dividend” measured the value of corporate reputation by using data from more than 200 of the largest public companies in the US projected across the S&P 500 index in January.

It measured the value of corporate reputation based on three inputs: financial data, data from *Fortune's* “Most Admired Companies,” and coverage of the companies in the mainstream US business press.

Despite the average stock price rising 14% year-over-year, the value of corporate reputation in January was down 4 percentage points from January 2012, accounting for a loss of \$170 billion of shareholder value, according to the study.

Sandra Macleod, group CEO of Echo Research, said this downward shift indicates that companies are “not fully appreciative of how important reputation is.”

“After the downturn, corporations are so focused on cost-cutting and have gone lean, that margins have gone up, but there is no investment in reputation,” she said. “The irony is, it does not have to be expensive.”

Apple no longer has the most potent corporate reputation, according to the study. It was knocked out of the top spot by Phillip Morris International and Exxon Mobil into third place, with a corporate reputation worth 54.9% of its shareholder value.

Macleod said this could be due to a number of factors, including controversy over its factories in China, competition in the smartphone market, and the death of former CEO Steve Jobs.

Phillip Morris International and ExxonMobil both had reputations worth 55% of their shareholder value.

Occidental Petroleum, Google, Chevron, Qualcomm, Caterpillar, Walt Disney, and McDonald's are also in the top ten companies with the most potent corporate reputations.

Quest Diagnostics, copper company Freeport-McMoRan, and forest products company Weyerhaeuser were among the companies that saw the potency of their reputations increase. Staples, Time Warner, and food safety company Sealed Air saw theirs drop by the greatest amount.

The sector that companies operate in also affects the value of their corporate reputation. For example, utilities, which have a “captive monopoly,” have a lower value of how much their reputation contributes to shareholder value, compared to more competitive sectors such as oil and gas and telecoms.

“Corporate reputation is not just PR or communications, but fundamentally it's about business performance,” said Macleod. “Reputation is material, and you can put a price tag on it and track it over time.”