

Walk the talk OR BE DAMNED

Once again, Trialogue and Media Tenor have used their innovative Sustainability Coverage Monitor to assess ongoing CORPORATE MEDIA REPUTATIONS based on the extent to which company sustainability issues were reported in mainstream media. Wadim Schreiner explains the results for this quarter.

Very few companies have had to endure the unforgiving glare of the media spotlight – and the ensuing reputational damage – as relentlessly or severely as BP since 20 April 2010. The magnitude of BP's Deepwater Horizon oil well disaster in the Gulf of Mexico, and poor initial crisis management and communication by BP, have shown clearly that unless the reality of your actions matches the perceived reality by stakeholders and the public (as propagated through the media), the reputational impact can have a spiralling effect on everything from the bottom line and shareholder confidence to internal support for management. In fact, so bad has been BP's reputational fallout from the Gulf disaster that some analysts are speculating that this could be the beginning of the end for BP.

Often, it is media-fuelled controversies in the sustainability realm – environmental, social, ethics or governance crises – that bring companies to their knees. And the reality, in a world of ubiquitous, instantaneous and highly critical media, is that no amount of corporate 'spin' can change how the public perceives a company at such times of crisis.

Reputation through the media

By contrast, ongoing, proactive communication in the media about concrete sustainability action can create a reputational platform that acts as a buffer when times get tougher. Long-term, positive media exposure about a company's sustainability-related actions can also give a company the edge in a marketplace that increasingly demands greater sensitivity towards environmental and social issues.

In this context, each quarter Trialogue along with our media analysis partner, Media Tenor, assess corporate sustainability reputation in the media by analysing positive, neutral and negative sustainability-related editorial coverage about companies. The results are captured in our Sustainability Coverage Monitor (SCM), which is a composite measure based on volume of coverage, bias, spread of media, and range of sustainability issues reported.

fast **FACT**

In order to analyse the media, we partner with The Media Tenor Institute of Media Analysis (Media Tenor), which scrutinises the news, opinion and business sections of leading South African print, broadcast and online media to provide a range of media intelligence to the corporate sector. Various results of our Sustainability Coverage Monitor (SCM) are published in this Review each quarter.

The data used for our SCM is based on Media Tenor's comprehensive day-by-day analysis of all relevant company-related articles appearing in 30 broad-based national daily and weekly newspapers and TV news broadcasts.

For more information on the methodology and categorisation of this index, please visit: www.mediatenor.co.za www.trialogue.co.za



Top-5 coverage in Q2 2010

Table 1 lists the top-5 companies on our SCM, based on the volume and tone of their sustainability coverage in the media over the period April to June 2010. Second quarter coverage is generally elevated by annual and quarterly results season and, as with all quarterly data, coverage of just two or three pertinent issues can also influence a company's sustainability rating. For example, Apple's launch of the iPhone 4 significantly boosted the company's sustainability profile in the second quarter. First National Bank also saw substantial positive coverage relating to its plans to respond to Capitec's marketshare challenge and its rollout of twelve EasyPlan branches for low-cost banking.

Table 1
Top-5 coverage:
April-June 2010

1. Sanlam
2. Apple
3. MTN
4. First National Bank (FNB)
5. Nedbank

Table 2
Top-10 coverage:
Jan-June 2010 vs Jan-June 2009

Rank	2010 (Jan-Jun)	2009 (Jan-Jun)
1	Sanlam	Pick n Pay
2	SABC	MTN
3	FNB	Woolworths
4	MTN	Standard Bank
5	Old Mutual	FNB
6	ACSA	ACSA
7	Microsoft	Nedbank
8	DRD Gold	Ernst & Young
9	Woolworths	BAT
10	Nedbank	ABSA

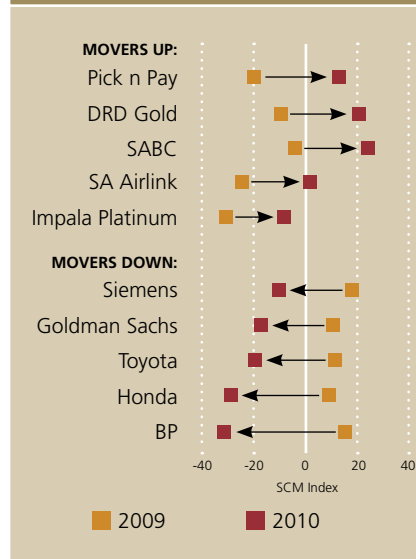
Top-10 coverage in 2010 vs 2009

Taking a slightly longer view and comparing like-for-like periods of the year, Table 2 contrasts the top-ten on the SCM over the first six months of 2010 with the same period in 2009. Financial services companies featured prominently, but only Nedbank and First National Bank (FNB) appeared in both periods, and were joined in 2010 by insurance heavyweights Sanlam and Old Mutual. In the retail sector, Pick n Pay received less media coverage on sustainability-related issues in the first half of 2010, compared to the same period last year, but Woolworths enjoyed favourable reporting in both periods and remained in the top-10. The SABC seems to have overcome most of last years' concerns around leadership, finances and government relations, and its media rating on sustainability issues improved considerably in 2010.

Biggest movers

We also indicate reputational shifts through the 'biggest movers' in SCM score from one period to the next. Graph 1 shows the top-5 movers up and top-5 down on the SCM for January to June 2010 relative to July to December 2009. Traditionally, top 'movers up' are companies that are recovering from crisis or reputational damage and 'movers down' are those more recently exposed

Graph 1
Biggest movers:
Jan-June 2010 vs July-Dec 2009



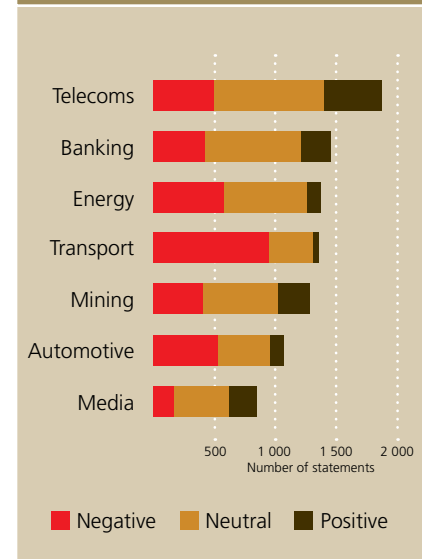
for wrongdoing. For the first six months of 2010, the top 'movers down' in 2010 included Goldman Sachs, Siemens, Honda, Toyota and, of course, BP. The top 'movers up' were retailer Pick n Pay, mining company DRD Gold, the SABC, SA Airlink and Impala Platinum.

In the case of SA Airlink, the reputational damage suffered due to a Durban plane crash, temporary suspension of airworthiness of some of its planes, and near-crash at George airport, presented the prospect of a similar fate that befell failed airline Nationwide. But contrary to Nationwide, SA Airlink communicated continuously, and through various channels, as to how it was resolving its issues. The company is now reaping the benefits through an improving media reputation.

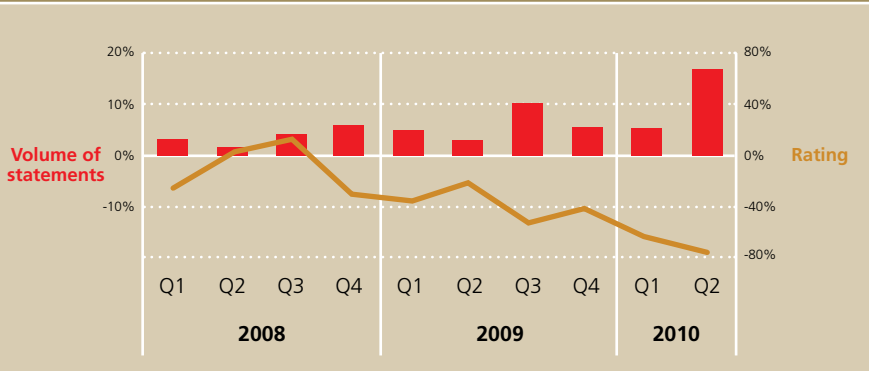
Top industry coverage in 2010

Graph 2 shows which industry sectors received the most sustainability-related media coverage for the first six months of 2010, and the proportion of coverage that was positive, neutral and negative. The telecommunications sector enjoyed the most attention, driven by extensive reporting on MTN's global expansion, the interconnectivity-fee debate involving all cellular companies, and Telkom. Other sectors in the spotlight included banking, energy, transport, mining, automotive and media.

Graph 2
Relative industry coverage:
Jan-June 2010



Graph 3
Transport sector coverage: 2008-2010



Transport takes flak

The transport industry, which received very little positive coverage and the largest proportion of negative coverage, faces big sustainability challenges. The sector is at a crossroads, being required to adapt to the evolving needs of commuters for safe, affordable and efficient transportation. Graph 3 shows that as the volumes of transport-related reportage in the media have increased from 2008 to 2010, so the proportion of negative coverage has increased

dramatically. Three companies faced particular scrutiny: Transnet, in terms of its leadership issues and due to the impact of various strikes; Metrorail, for similar reasons; and bus company Roadlink, for the number of accidents and ongoing impoundment of its vehicles in its fleet.

Mining battles along

The mining industry has been marred by some highly critical sustainability coverage in recent years and, as illustrated in Graph 4, some companies have experienced high proportions of negative coverage. But it is encouraging to see that some companies' sustainability strategies and behaviours are being positively recognised by the media. In particular, Anglo American, AngloGold Ashanti, BHP Billiton and Gold Fields have experienced increasing proportions of positive media coverage.

Environment vs transformation


As highlighted in Graph 5, analysis of coverage for the past ten quarters shows

growing coverage about environmental issues. BP's disaster was a significant contributor in the last quarter, but it can also be argued that the Copenhagen Conference in December 2009 raised awareness about the environment as a global topic, which was reflected in growing local media coverage.

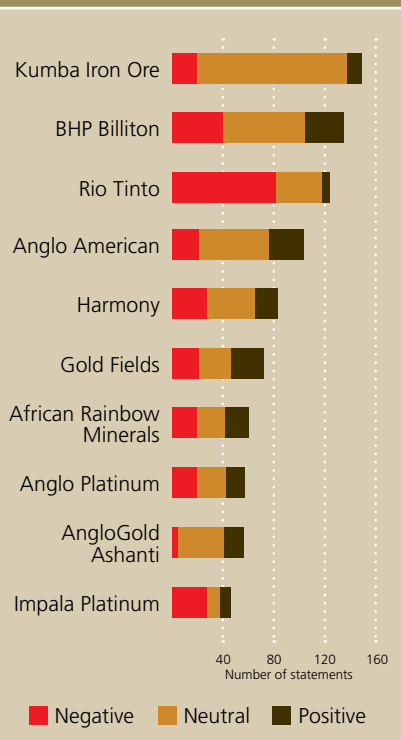
On the other hand, it seems that BEE and transformation are experiencing declining coverage. In the past a slew of big BEE deals enjoyed much media attention, but more recently the fact that many deals have proved financially poor has reduced the media focus. However, the topic is unlikely to go away: 16 years after the first democratic elections both boardrooms and shareholders are still not adequately representative, which means that BEE is likely to receive attention in the months to come.

Spin doesn't win

One might argue that BP's Gulf disaster has been so extreme that the court of public opinion cannot condone clemency for prior good behaviour. After all, over the past ten years BP has touted itself as the ultimate responsible corporate citizen, rebranding itself "Beyond Petroleum" and promoting a very 'green' image. But BP's poor safety record and some other actions in recent years suggest this was merely a house of cards with limited substantive evidence of responsible behaviour in a notoriously 'dirty' industry.

The lesson is that companies should do all they can – through their behaviour and how they are reported in the media over the long haul – to entrench reputations based on concrete actions as reliable, responsible citizens, rather than relying on 'spin' to try to shore up reputation when the oil hits the beach. 

Graph 4
Mining company coverage: 2008-2010



Graph 5
Relative issue coverage: 2008-2010

