

# PURPOSE PREMIUM

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MARKET RESEARCH

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# QUANTUM

MARKET RESEARCH

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# Ever wondered about purpose?

How did we get to purpose?  
And having arrived here – is there really a point to purpose?

In August 2019, *Fortune* magazine's Alan Murray reported a new position statement from the Business Roundtable of nearly 200 of America's most prominent enterprises.

The 300 word Roundtable statement on corporate purpose recognises "shareholders" just twice, in the second last paragraph. It gives more focus to stakeholders, customers, suppliers, employees and communities, saying business must deliver value to every one of them. And then shareholders.

*Fortune* traced a journey starting with Milton Friedman's 1970 declaration that business had one social responsibility: to engage in activities designed to increase profits.

From there, Murray wrote, began a long period of "grammatical soul-searching".

That soul-searching meandered through the valleys of Corporate Social Responsibility, across the rivers of Creative Capitalism, an excursion into the box canyons of The Third Way.

We rested briefly in the now deserted village of Shared Value Capitalism, twin town to Conscious Capitalism.

The Global Financial Crisis, the transparency promise of a universally accessible internet, the possibilities of social media fuelling corporate accountability and a better humanity, the rise of employer brands and the quantification of reputation – all contributed to the rise of "purpose".

And here we are.

"Purpose" was listed by the *Australian Financial Review's* Patrick Durkin as "the business buzzword of the year". That year was 2018. The same year Royal Commission's revealed a darker heart to major Australian institutions than many believed possible.

2018 is also the year our Porter Novelli counterparts in the United States led research to determine if there is, indeed, a premium for business that has true purpose. And it turns out there is a commercial premium.

We reviewed the American research and wondered about Australia. Was "purpose" powerful here?

In a joint venture with Quantum Market Research, we tweaked the American methodology and set out to answer that question.

We can't directly compare the Australian and American research, but we can conclude that while "purpose" is real and considered, it may matter more to business strategy than to stakeholders.

Striking a balance between responsibility, success and reliability is potent for business reputation in Australia, no matter what sort of business you're in.

As for purpose, in the Australian context it's not necessarily the premium we've been hearing so much about; but it clearly does make business sense.

Australians reward organisations that are what we call Responsible, and Purpose is a sub-set of that.

"Responsible" may be another grammatical meander. But we don't believe so.

What follows is evidence to back up that belief.

# Porter Novelli Australia's Purpose Premium

The Australian research was completed in early 2019 in a collaboration of Porter Novelli and Quantum Market Research. It was based on the Porter Novelli/Cone Purpose Premium Index produced in the United States in 2018.

While the model allows for some comparisons between the two reports, the study design was customised to the Australian market. The changes included:

- Choosing brands or companies skewed to those more likely to be familiar to Australians
- Higher representation of charity and government sectors prominent in the Australian economy
- Changes to organisational attributes, including the addition of Employer of Choice
- Allowing respondents to comment only on companies they were familiar with

We interviewed 5370 Australians drawn from an online panel and selected to represent the Australian population by age, sex and state.

Respondents completed a questionnaire that took an average 16 minutes to complete.

The questionnaire listed 104 organisations, but respondents were asked about their familiarity with a subset of just 20 of these.

They then went on to answer more detailed questions relating to a maximum of three organisations with which they were familiar.

Data analysis included factor analysis to determine the three factors that most influence overall reputation, as well as regression analysis to determine the relative importance of each of these factors in influencing perceptions of reputation.

# Study definitions

## Reputation

Reputation is, quite simply, everything. It's a lens through which consumers weigh purchasing decisions. A prism potential employees use to evaluate job prospects. The filter businesses use to choose partners or vendors. And it's a trigger for investment value. It's painstaking to build, challenging to protect and enhance, and it can implode in a moment.

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## Purpose

Our simplest definition of purpose was presented early in the questionnaire, where we asked: "In your opinion, what are the best 'purpose-driven' companies or brands you are aware of? By 'purpose-driven', we mean a company or brand that strives to have a positive impact, beyond just making money."

# Purpose: eight big Australian insights

## 1 Reputation has many dimensions

A company's reputation standing is balanced between three primary factors: Reliability (41 per cent), Success (30 per cent) and Responsibility (29 per cent). These are divided into specific elements with varying degrees of importance to consumers, from security and innovation to environmentalism and philanthropy. Simply, "purpose" is not a stand-alone contributor to Reputation. Rather, it's a sub-factor that contributes to an organisation's public regard as being Responsible.

## 2 Australians view brands differently to Americans

Our research was based on a study of American consumers by our stateside counterparts. From the outset it was apparent the methodology would need to be adjusted for an Australian audience. And it turns out that the factor we label Responsible is more than twice as important to Australians as it was to Americans.

## 3 Strong correlation between Responsibility and Reputation

Companies with strong Reputations also have strong Responsibility scores. That's no coincidence. These scores are highly correlated and tend to move together. Of the top 10 Australian entities for Responsibility and Reputation, five appear on both lists.

## 4 Australians want companies to act, care and advocate

When it comes to the Responsibility attributes most important to Reputation, Australians prioritise companies that are environmental, philanthropic, purpose-driven, and an employer of choice. These dimensions reflect "hard" and "soft" elements of Responsibility. Australians expect organisations to demonstrate their commitment to improving the world they operate in not only through being seen to support a relevant cause or vision, but also by creating a positive working environment for staff that embodies the values they say they uphold.

## 5 Perceptions of Responsibility drive consumer action

Not only do Australians think more highly of Responsible companies, they also reward them for being Responsible. Companies with a higher Responsibility ranking than their peers will reap greater benefit. Consumers are more likely to favour those brands or organisations through product purchase and/or support.

## 6 Different industries are different

We expected variations between industries. Certain industries are loved or loathed, often based on the nature of the products or services they create. But banking and chemical industries in particular landed in the bottom half for both total Reputation and the more specific Responsibility.





## 7 Certain audiences gravitate toward Responsible companies

When asked what makes a company great, certain population groups were more likely to confirm Responsibility as critical. Those who value Responsibility are more likely to be young, female, have children and be politically conservative.

## 8 Leaders in Responsibility have more engaged audiences

Australians are more interested in what Responsible companies have to say. Australians are significantly more likely to consume information from companies with higher Responsibility rankings, both via social media and more traditional communication channels.

# How do you configure Reputation?

A practical working definition of reputation is what people say about you after you leave the room.

The challenge is scoping the factors that contribute to the totality of “reputation”.

Australians generally don't admire corporate leviathans and business leaders as do Americans (generally), and we're typically not well-informed about the brands or companies we recognise or support.

In our work it became evident that if Australians know how a company performs against one element that makes up a factor, they tend to assume that company performs well on other elements - in the absence of any information to the contrary.

That may present as an invitation to set-and-forget reputation, but with so many sources of information, so many possibilities for sharing information, and reputational judgements – and commercial choices – often reached based on random pinpoints of data, eternal vigilance on reputation is the answer.

If I know a company has good environmental credentials, I'm inclined to assume it is also philanthropic, purpose-driven and an employer of choice – unless I hear or see something to make me think otherwise.

Conversely, if I know a company has poor environmental credentials, I will more likely extrapolate that negativity across its attributes.

**"The message for Australian business leaders might very well boil down to a simple maxim: Just do what you say you're going to do."**

Australians and Americans hold contrasting view on the three most powerful contributors to Reputation (table at right). It seems Americans reward promise and possibility, while Australians recognise the job done.

For Australian consumers, Purpose doesn't stand alone. It presents as a sub-set of Responsibility.

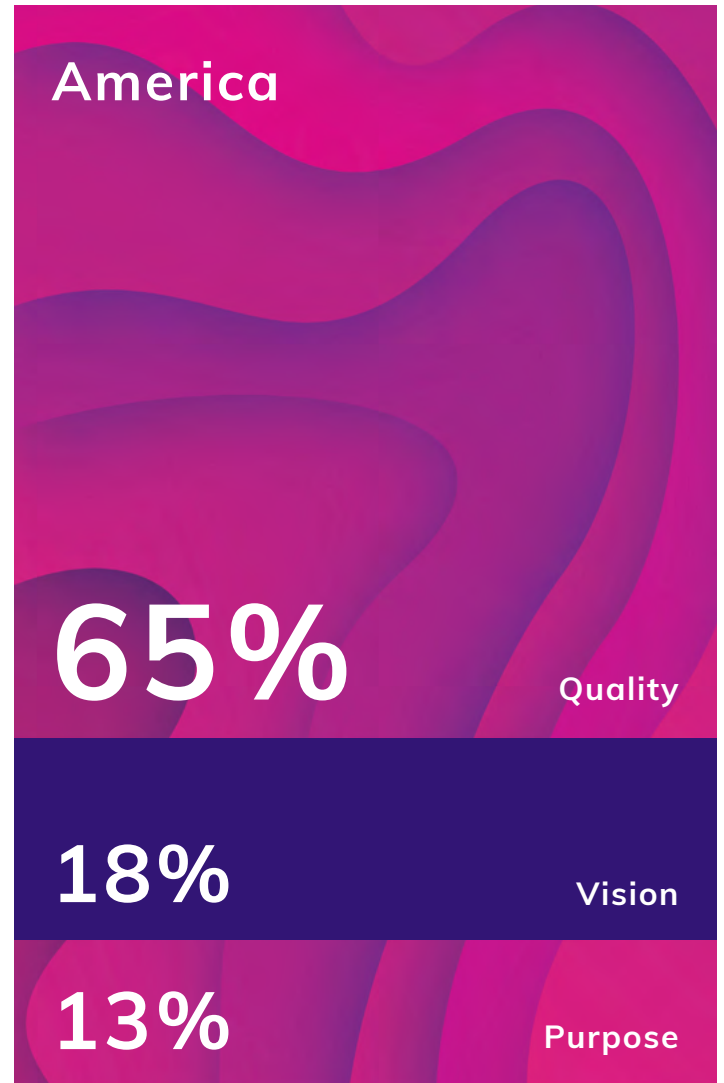
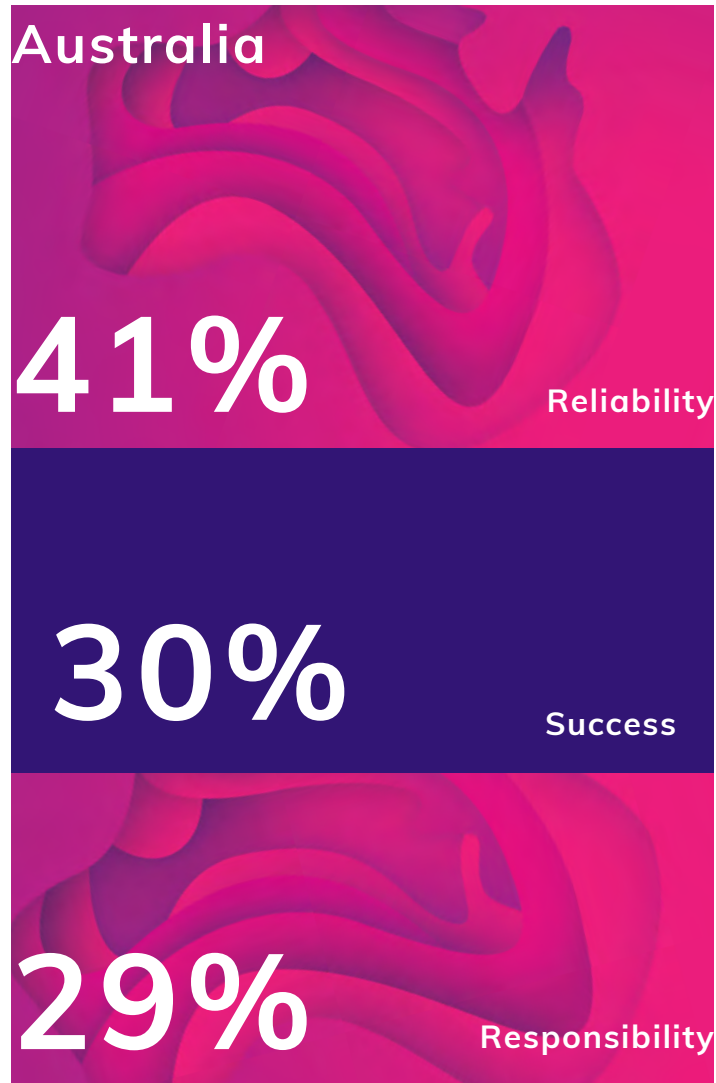
By contrast the United States research shows a distinct reputational premium attached to stand-alone Purpose.

The message for Australian business leaders might very well boil down to a simple maxim: Just do what you say you're going to do.

With so many challenges to our long-held trust in traditional institutions, and respect being supplanted by disdain or disinterest, a deep pragmatism about reputation emerges.



# Top three contributors to business reputation



# Do what you say you're going to do

Nobody will be surprised who wins in Australians' business reputation stakes.

No surprises either that customers are more informed, more influential and better connected than ever before.

Organisations deploying the optimum balance of Responsibility, Success and Reliability driving Reputation enjoy consumer benefits including:

- **40 per cent of consumers** are more likely to have purchased a product, a service or supported an organisation known to be Responsible
- **Consumers are more than twice as likely** to have read a social media or blog post from these organisations; and
- Are **two-thirds more likely** to have visited the website of a company seen to be Responsible

Australians seem to be saying, by all means do good deeds, but don't expect us to score you more favourably if you're transactional in seeking a benefit from those apparent good deeds as distraction from other behaviours.

Generally, we don't buy that from business.

Better to do the best you can, at what you're best at.

By all means proclaim a higher Purpose, but if it's not reflected in your organisational behaviour or attributes, you'll be marked down.

Again, better and more sustainable for Reputation to do the best you can at what you're best at.

## "Organisations with the optimum balance of Responsibility, Success and Reliability driving Reputation enjoy consumer benefits."

### Where Responsibility detracts from Reputation

Retail, online retail and motoring clubs showed a negative relationship with Responsibility. That is, the more responsible they were perceived to be, the lower the overall reputation.

### Where too much Success is a bad thing

Success was negatively correlated with banking, chemicals and charities. The more successful they are, the lower their overall Reputation. For banks and chemicals, this is likely a reaction to pursuing profit above all else. For charities, too much Success breeds suspicion that too much is being spent spruiking success and not to the charitable Purpose; or that the Purpose has been fulfilled.

### Where Success is most critical

While Reliability is the most critical Reputation factor across most industries, in consumer electronics, consumer goods, and travel, Success is more important.

So who are Australia's most reputable? Let's start with industry sectors:

- If you're working in the **charity/not-for-profit** sector, congratulations. It's a gold medal
- If you're a **mutual** – or seen to be – like the major motoring clubs, it's silver for you
- **Grocery?** Photo-finish for third, but be careful with that bronze medal, because different grocers have different reputations

There's a big mid-tier in the Reputation range of 60 per cent positive, 30 per cent neutral and 10 per cent negative. But as the tail tapers, you'll find:

## Industry

+ Positive

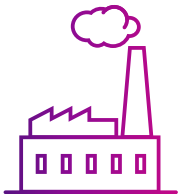
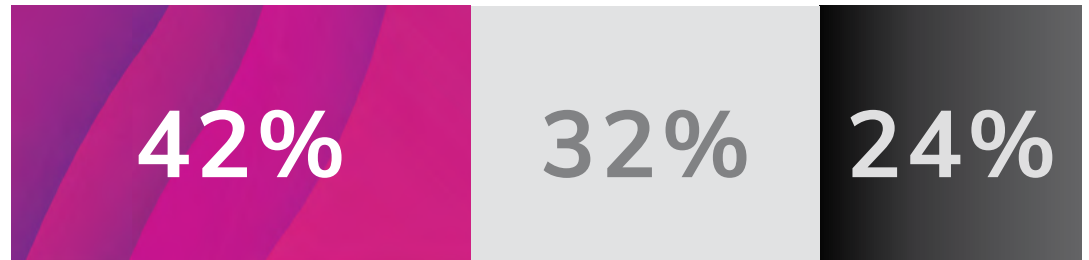
• Neutral

- Negative

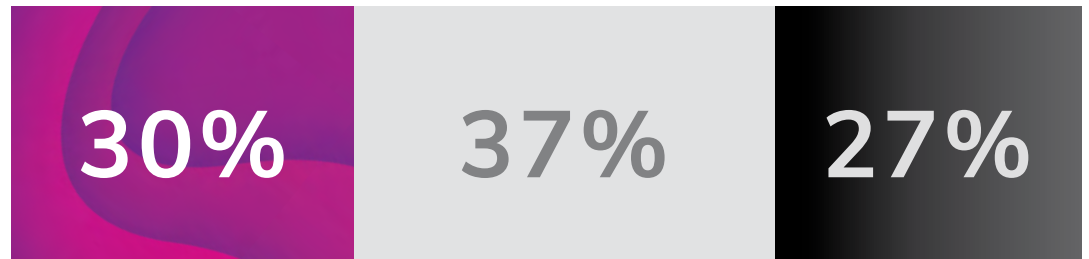
-  Financial services
-  Telcos
-  Private health insurers
-  Miners
-  Energy retailers
-  Gambling/leisure



Banks



Chemical Industry



The connection with Reputation relates to the chemical industry's interaction with Australian agriculture. Interesting that while Australians strongly support farmers, they don't support companies whose products support the success of those farmers.

## Winners: who are they?

You'll know all of these – but you may be surprised by some of those included by Australian consumers in their responses.

Australia's top 10 for Responsibility starting with number one, the Flying Doctors:

- 1 Royal Flying Doctor Service
- 2 Beyond Blue
- 3 Oxfam
- 4 Red Cross
- 5 The Salvation Army
- 6 Tesla
- 7 St Vincent de Paul Society
- 8 World Vision
- 9 Apple
- 10 Microsoft

Australia's top 10 for total Reputation again starting with number one, the Flying Doctors:

- 1 Royal Flying Doctor Service
- 2 Beyond Blue
- 3 Red Cross
- 4 The Salvation Army
- 5 Apple
- 6 Bunnings
- 7 PayPal
- 8 Motoring clubs
- 9 Walt Disney Company
- 10 Kmart

Four not-for-profits and one global technology company carry over from Responsibility into peak Reputation; two retailers, a global payment service and an entertainment conglomerate. The state motoring groups are clustered at number eight - study design didn't allow us to separate them from their branded insurance arms.

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## Also rans: who are they?

At the bottom of the tables for Responsibility, where the first – Monsanto - is least regarded:

- 1 Monsanto
- 2 Dow
- 3 AMP
- 4 Telstra
- 5 News Corp
- 6 ANZ
- 7 NAB | Shell
- 8 Commonwealth Bank | Westpac
- 9 Facebook
- 10 BP

For total Reputation, the bottom 10 show similarities, again starting with Monsanto as least regarded:

- 1 Monsanto
- 2 AMP
- 3 Commonwealth Bank
- 4 NAB
- 5 Telstra
- 6 Dow
- 7 Westpac
- 8 News Corp
- 9 ANZ
- 10 Medibank Private

# Who cares? You might be surprised

Being or becoming a well-regarded participant in a sector that is negatively regarded by consumers presents as a considerable challenge.

However, Reputation is frequently judged by the eye of the beholder and consideration can be ephemeral, momentary and often poorly-informed.

In Australia, Responsibility is most important for politically conservative women aged 18-29 with annual household income less than \$75,000, who have dependent children and work in hospitality, tourism or administration.

Conversely, Responsibility matters least to politically progressive men 40 years and older, with annual household income of more than \$125,000, no dependent children – and likely to be retired.

This is again in contrast to the American results, where Purpose mattered most to the politically progressive.

# Employer of choice as a differentiator

Being an employer of choice is a stand-out sub-set of Responsibility.

In an era of employer brand and employee-as-advocate, business reputation is a powerful people motivator and recognition as a preferred employer is an exemplar.

There is the formality of Employer of Choice accreditation, and the shared perspective of being an employer of choice that is a good place to work.

Consumers didn't qualify formality or informality, but used the terminology of employer of choice to describe better companies.

Sectors most associated with being an employer of choice were charities, technology and education. Those least likely to be associated were chemicals, telcos and banks, despite these bigger corporates frequently pursuing accreditation as part of their employer brand.

Retail varies widely in employer of choice: while Bunnings ranks fourth and Officeworks at number 16, the next retailer is Starbucks at 45, Kmart at 51 and JB Hi-Fi at 53.

Two odd things about this: Starbucks has fewer than 25 stores in Australia, and JB Hi-Fi is well-regarded for its business performance and customer service.

Companies seen to be employers of choice tend to rate high on Purpose, but the opposite does not always hold true.

A small number with high levels of Purpose were significantly less attractive as employers, including:

## **St Vincent de Paul Society**

9th for Purpose,  
47th for Employer of Choice

## **IKEA**

24th for Purpose,  
57th for Employer of Choice

## **Virgin Australia**

30th for Purpose,  
62nd for Employer of Choice

## **Boost Juice**

33th for Purpose  
66th for Employer of Choice

## **Johnson & Johnson**

36th for Purpose,  
71st for Employer of Choice

## **Medibank Private**

61st for Purpose,  
90th for Employer of Choice

And a small number of organisations seen to be reasonably good employers had much lower rankings on Purpose:

## **University of Sydney**

55th for Purpose,  
19th for Employer of Choice

## **Woolworths**

81st for Purpose,  
44th for Employer of Choice

## **Coles**

73rd for Purpose,  
38th for Employer of Choice



# What should you be thinking about now?

## Purpose

- Purpose is not a stand-alone premium in Australian consumers' minds
  - Purpose-led businesses will be well-regarded, but beware if behaviour doesn't match stated purpose
  - There's a lot to be said for being a good employer, but only say that if you actually are a good employer
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## Reputation

- Australian consumers assess an organisation's reputation on measures of Reliability, Success and Responsibility
- Consumers decide on reputation sometimes on a fleeting experience or shared piece of information, and extrapolate that across everything an organisation does
- Reputation is earned, not bought; where organisational behaviours or actions don't match the promise, there lies trouble

The simplest foundation for powerful reputation in Australia is just to **do what you say you're going to do.**

# Companies in study

ABC	Crown	McDonald's	RACV
AGL	Dell	Medibank Private	Red Cross
Aldi	Disney	Microsoft	Royal Flying Doctor Service
Amazon	Dow	Monash University	Samsung
AMP	Dulux	Monsanto	Sanitarium
ANZ	eBay	Myer	SEEK
Apple	Elders	NAB	Shell
Arnott's	Facebook	Nestle	Sony
Australia Post	Ford	Netflix	St Vincent de Paul Society
Bendigo and Adelaide Bank	Garmin	News Corp	Starbucks
BHP	GE	Nib	Target
Big W	Google	Nike	Telstra
BMW	HCF	Nikon	Tesla
Body Shop	Holden	Nine	The Salvation Army
Boost Juice	HP	NRMA	Uncle Tobys
BP	IBM	Officeworks	University of Melbourne
Bunnings	IKEA	Old El Paso	University of NSW
Bupa	Intel	Optus	University of Sydney
Cadbury	JB Hi-Fi	Origin	Vegemite
Caltex	Johnson & Johnson	Oxfam	Virgin Australia
Canon	Kellogg's	Panasonic	Warner Bros.
Cisco	Kmart	PayPal	Westpac
Coca-Cola	Kubota	PepsiCo	Woolworths
Coles	LG	Powershop	World Vision
Colgate-Palmolive	Mars	Qantas	
Commonwealth Bank	Mazda	QBE	
Costco	McCain Foods	RACQ	

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