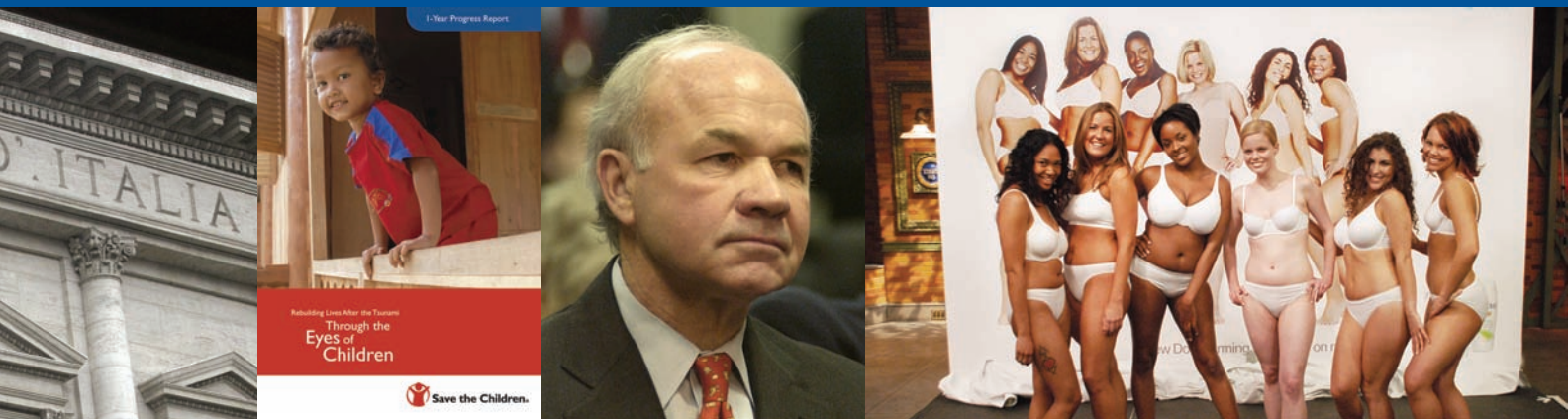


A SPECIAL SUPPLEMENT TO PRWEEK



2006 Annual Edelman Trust Barometer



“Person like yourself or your peer” is seen as the most credible spokesperson about a company and among the top three spokespeople in every country surveyed.”

Disclosure

At the time the Trust Barometer was compiled, Edelman had a client relationship with the following companies mentioned in this brochure: Heinz; Johnson & Johnson; Kraft; Microsoft; Nissan; Samsung; Starbucks; Unilever; UPS

Cover photos (l-r, beginning on back cover): former FEMA director Mike Brown; Morgan Stanley; baseball stars Mark McGwire and Rafael Palmeiro; Bank of Italy; Save The Children; former Enron CEO Ken Lay; Dove “Real Beauty” campaign

Trust makes the world go round



Leslie H. Gelb
Counselor to Edelman and
president emeritus of the
Council on Foreign Relations

It's long past time to abandon the old adage that "love makes the world go 'round.'" Today, if anything keeps the world turning, it's trust. Without trust, there's no benefit of the doubt given, everyone becomes a hapless fact-checker, and nothing gets done, no governmental decisions made, and little gets bought or sold in the marketplace. The Edelman Trust Barometer shows that this year – and over the last six years – some revolutionary changes are unfolding.

First, trust in established institutions like government and the media remains shaky. How these institutions have responded to events such as Hurricane Katrina, urban riots in France, and the latest news reporting fiascoes hasn't helped. All this jibes with other surveys, as well as anecdotal material, that suggests people increasingly find government and the media to be self-serving and even untrustworthy. Interestingly, business, after a very bad start to

this century, has recovered somewhat from the rash of scandals.

However, the biggest change among major institutions has been the rise of trust in NGOs, which are becoming the most-trusted institution. As people seek new institutions and individuals in which to place their trust, they turn to NGOs, even though many have powerful interests in the arenas in which they operate. Greenpeace, for example, gets high trust marks for information on the environment.

The Edelman Trust Barometer has tracked the steady decline of trust in traditional figures of authority, and the increase in the credibility of the "average person." This year we reached a possible tipping point, with trust in "a person like me" surpassing even academics and doctors in most countries. This is underscored by the growth and increasing credibility of internet communications, which provides much greater access to peer opinions. Other Edelman surveys show that bloggers and websites have established themselves, notwithstanding their often intemperate tone and frequent biases.

Conversely, the "mainstream media" face declining readership, viewers, and ad revenues. This is part of an in-with-the-new, out-with-the-old phenomenon, and the pattern has been pretty consistent over the six years of Edelman Trust Barometer surveys. Keep in mind, however, that our respondents are opinion leaders who are well-paid, highly educated, and have almost universal access to broadband. They are presently better equipped to check multiple sources than average citizens – although the gap is narrowing.

Finally, one other point that jumps out is the ever-weightier impact of trust on business and consumer decisions. Our study found that if respondents lose trust in a company, they are highly likely (70% to 80%) not to purchase its products or services. Worse, people do not simply internalize their doubts; they talk to others and spread distrust – with up to 33% now using the web to post their views. To be sure, if investors see a good deal, they'll invest; if buyers like a product, they'll buy it. But when concerns appear, consumers and investors can change their patterns quickly.

This report explores the influence of industry, country of origin, and other factors that drive trust in global companies. It provides the beginning of a road map to build trust across every key market. Happy motoring...

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The Me² Revolution



The traditional approach to corporate communications envisages a controlled process of scripted messages delivered by the chief executive, first to investors, then to other opinion-formers, and only later to the mass audiences of employees and consumers. In the past five years, this pyramid-of-influence model has been gradually supplanted by a peer-to-peer, horizontal discussion among multiple stakeholders. The employee is the new credible

source for information about a company, giving insight from the front lines. The consumer has become a co-creator, demanding transparency on decisions from sourcing to new-product positioning.

Smart companies must reinvent their communications thinking, moving away from a sole reliance on top-down messages delivered through mass advertising. This is the Me² Revolution. What is now required is a combination of outreach to traditional elites, including investors, regulators, and academics, plus the new elites, such as involved consumers, empowered employees, and non-governmental organizations.

The most profound finding of the 2006 Edelman Trust Barometer is that in six of the 11 countries surveyed, the “person like yourself or your peer” is seen as the most credible spokesperson about a company and among the top three spokespeople in every country surveyed. This has advanced steadily over the past three years.

In the US, for example, the “person like yourself or your peer” was only trusted by 22% of respondents as recently as 2003, while in this year’s study, 68% of respondents said they trusted a peer. Contrast that to the CEO, who ranks in the bottom half of credible sources in all countries, at 28% trust in the US, near the level of lawyers and legislators. In China, the “person like yourself or your peer” is trusted by 54% of respondents, compared to the next highest spokesperson, a doctor, at 43%.

Meanwhile, “friends and family” and “colleagues” rank as two of the three most credible sources for information about a company, just behind articles in business magazines. Again, in the US, the “colleagues” number has jumped from 38% in 2003 to 56% in 2006. We facilitated the revolt by employees of Morgan Stanley against top management, soliciting opinions through their futureofms.com website, which then led to stories in traditional media.

Why the change, with increased reliance on those you know? The Edelman Trust Barometer shows

“ Smart companies must reinvent communications thinking, moving away from a reliance on top-down messages delivered through mass advertising.”



clearly the deep trust void facing traditional institutions including business, government, and the media.

Government scandals in the past year alone include the termination of Antonio Fazio, the Governor of the Bank of Italy, for passing confidential information on a merger, the Gomery Commission finding of illicit payments to ad agencies in Quebec, and the failure of the US government to respond adequately to the devastation caused by Hurricane Katrina.

Business has also had several major issues, including the termination for cause of long-time AIG CEO Maurice Greenberg for alleged self-dealing, the conviction of Tyco CEO Dennis Kozlowski for cheating shareholders, and the spectacular collapse of Refco only four months after its IPO worth \$2 billion.

Beyond the lack of confidence in the traditional sources of information lies a more fundamental change, a yearning to move beyond the simple act of consumption of information to social networking. The rise of MySpace, Facebook, and Wikipedia is premised on sharing of content with a group of like-minded individuals. It is the wisdom of the crowd, with constant updating of content based on personal experience. Media companies like the BBC have already harnessed this powerful force – most notably during the horrific London bombings of July 7, 2005 – to bring stories from citizen journalists on the scene to its BBC.com.

There is sharing of content because now we can do it easily, quickly, and colorfully. The Pew Center for Media noted that 60% of US teens have created and shared content on the Internet.

How can companies embrace this future of empowered stakeholders? Speak from the inside out, telling your employees and customers what is happening so they can spread the word for you. Be transparent, revealing what you know when you know it while committing to updating as you learn more. Be willing to yield control of the message in favor of a rich dialogue, in which you learn by listening. Recognize the importance of repetition of the story in multiple venues, because nobody believes something he or she hears or sees for the first time. Embrace new technologies, from employee blogs to podcasts, because audiences are becoming ever more segmented. Co-create a brand by taking on an issue that makes sense for your business, such as GE's Eco-magination campaign where green is truly green.

In 1850, author Ralph Waldo Emerson commented on the rising importance of newspapers to the young American republic. He said, "Look at the morning trains (with their commuters)...into every car the newsboy unfolds his magic sheets, two pence a head his brand of knowledge costs."

We are now at the point of reinventing the experience of communications, the essence of the Me² Revolution.



The state of trust

Numerous factors are now influencing trust around the world

Michael Deaver is Edelman’s vice chairman, international, and EVP/director of corporate affairs. As former deputy chief of staff in the Reagan administration and a top advisor to numerous corporate CEOs, Deaver offers a uniquely qualified perspective on what factors influence trust around the globe.

Q: *Is it possible to give a blanket assessment on “the state of trust” among stakeholders?*

Deaver: There are certainly lots of moving parts and variations, but for a big-picture snapshot: Continent-wise, you see the highest level of trust in the world in Asia and Brazil, though the countries there really don’t trust each other a whole lot. In Europe, you see the lowest levels of trust and some pronounced anti-US sentiment, which is probably a result of the war in Iraq.

In the US, trust has stayed pretty consistent over the years of the study. Trust in government is down over a four-year period and trust in media is about the same. Business has done very well,

and I think you can point to a few reasons for that. People realize that the economy is more or less strong.

We’ve done a lot as a government and a society to correct some of the perceived abuses within big corporations – the Enrons and the World-Coms of the world. I’m surprised about the government numbers, but at the same time, I’m not. Maybe some people can’t get past the war in Iraq, the Bush administration, and the perception, whether true or not, that they’ve been lied to. Government’s response to Katrina was also perceived as being poor. The media, too,



“You can’t say something once anymore. A single statement used to take care of it. But now, people get information from all kinds of sources: TV, local media, etc.”

Trust in institutions: 2006

How much do you TRUST each institution to do what is right?

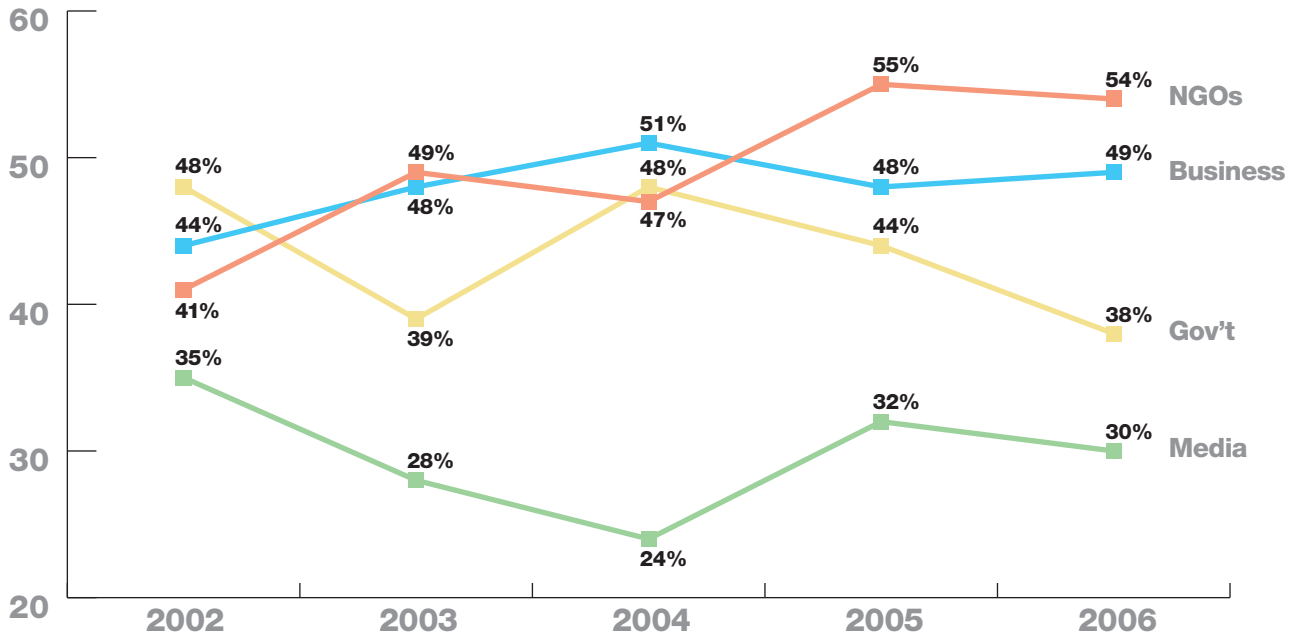
	NATIONALITY OF RESPONDENTS				
	USA	EUR*	ASIA**	CAN	BRA
Business	49	42	56	57	62
Government	38	33	54	36	21
Media	30	30	56	45	53
NGOs	54	57	48	61	60

Top 4 Box (6-9)

*Europe=UK, France, Germany, Italy, and Spain; **Asia=Japan, China, and South Korea

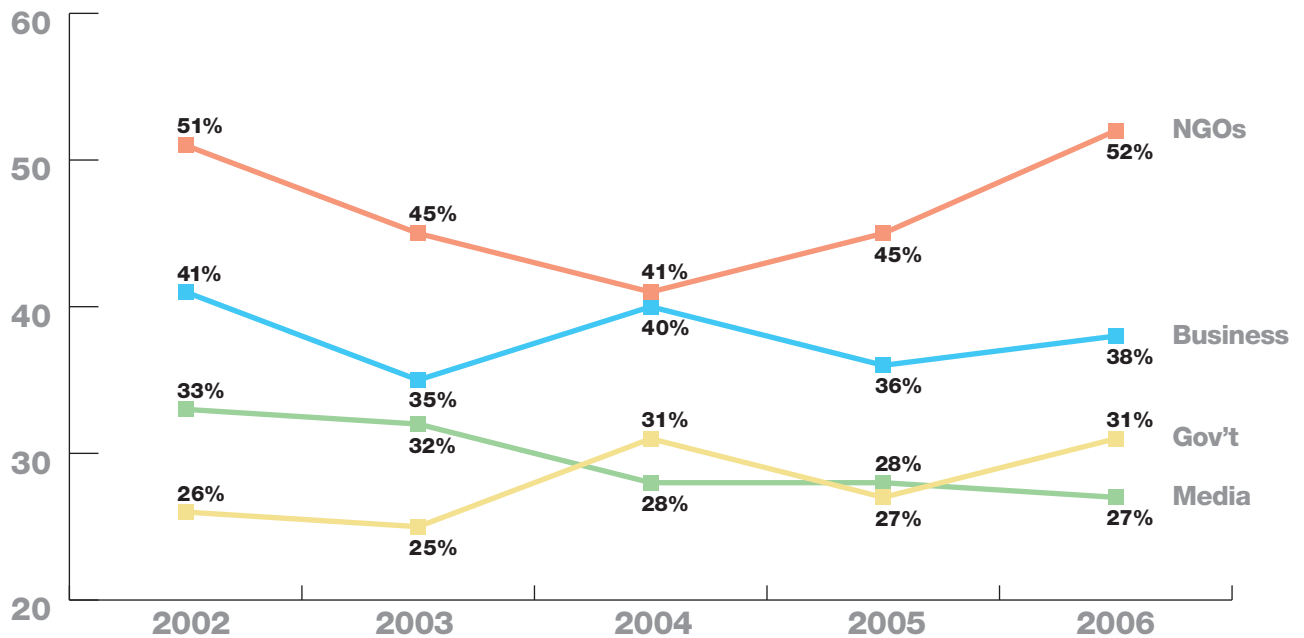
US trust in institutions: five-year trend

How much do you TRUST each institution to do what is right?



European* trust in institutions: five-year trend

How much do you TRUST each institution to do what is right?



*Europe=UK, France, and Germany only

“What we’re seeing with NGOs is that they’re willing to do what other groups aren’t, which is work closer with business to get things done.”

have experienced their fair share of scandals – from Dan Rather to Jayson Blair.

Q: *What do people expect companies to do, other than simply provide goods and services?*

Deaver: Companies need to be involved. They need to let the customer and client know that we’re all in this together. If you’re selling cars, people might respect you and trust you. However, if you also say, “We’re interested in quality of life for our consumers, that our employees have good benefits and can plan for the future, that our cars are friendly to the environment, that all of society gets an education” – that’s when the trust needle starts to move.

Maybe you’ll get away with it for a little while, but ultimately people want more. GM and Ford’s focus on SUVs contrasts sharply to Tokyo’s success with hybrids.

Q: *This would seem to touch upon why NGOs have surged in trust in the US.*

Deaver: Yes. Trust in them has gone up 15% in the last five years. People view NGOs as very honest and always trying to solve big problems – as opposed to the government or the media, where there are still issues that haven’t been worked through.

What we’re seeing with NGOs is that they’re willing to do what other groups aren’t, which is work closer with business to get things done. They’ll cooperate with whomever it takes to get solutions. And they do what they do in the interest of good – they appear interested in solutions for you and me, as opposed to political power or money.

Q: *You alluded to the climate of skepticism and mistrust in Europe. What has contributed to this?*

Deaver: I don’t know what the reasons are for the skepticism, but Europeans, particularly in France and Germany, have the lowest trust anywhere on the globe. The numbers for France were bad a few years ago, and they’ve only gotten worse. Overall, I think you have to point a finger at government. In Europe, government is seen as less effective in solving problems, plain and simple. The chaos around the recent German elections and the response to the urban riots in France are indicative of the leadership void in these countries. While trust in government in the UK, Italy, and Spain is similarly low, trust in business is significantly higher in those nations than in France and Germany. NGOs are really strong in Europe, which hasn’t changed much over the years, but there’s a sense that they can only do so much.

Q: *As compared to people in the various Asian markets that the study looked at?*

Deaver: Exactly. There are some blips, of course. I don’t think the government is perceived particularly well in South Korea, but overall, people there are seeing that they can fly as high as they want to for the first time in their lives. There’s enormous trust in the future and enormous faith that they’ll get to where they want to go.

Q: *In a big-picture sense, how has the state of trust evolved in the years since Edelman began this study?*

Deaver: The thing that jumps out at you is what we’ve been calling “the democratization of information.” The growth of the Internet, and the amount of trust it now has, has surpassed all expectations.

What this means is that people can control the information they get, which I think fosters more trust in institutions and in the future. When you’re doing the picking and choosing, you probably won’t think somebody’s keeping something from you.

Q: *What companies have managed the challenges particularly well?*

Deaver: UPS has done this well globally. Johnson & Johnson has

“The growth of the Internet, and the amount of trust it now has, has surpassed everybody’s expectations.”

done it very well globally, especially on health issues, even specific disease issues that have nothing to do with their products. Microsoft has had to fight for the past 10 years to protect its reputation, and I think they’ve come out of it pretty well. They’ve been great at promoting education. The fact that Bill and Melinda Gates are the world’s most generous philanthropists only helps.

With these companies, CEOs and local presidents around the world are very visible and involved, both on issues that affect consumers and societies in general.

Q: *What are the companies that don’t “get it” doing badly or failing to do at all?*

Deaver: You can’t say something once anymore. A single statement used to take care of it. But now, people get information from all kinds of sources: TV, local media, etc. You have to cover the whole spectrum of information to get your message out.

Whoever’s in charge also has to be visible and part of the company’s brand and message. Moreover, it’s all about being local. If you’re going to expand beyond your home base, you have to have local faces for your products and services. You can’t put an American manager in another market anymore and expect to be successful, especially in the event of a crisis.

Why trust is important

A look at the consequences of lost trust to the business world

“Trust is more than a virtue,” says Matthew Harrington, president, Edelman’s Eastern region. “It’s an imperative.”

Sony BMG recently ran afoul of customers when a blogger revealed its practice of embedding anti-piracy software in CDs, which left users vulnerable to viruses. The issue moved from the blogosphere to the mainstream media, alienating customers and the label’s artists. The impact of this trust erosion may eventually hit Sony’s bottom line.

Trust is more than a bonus; it is a tangible asset that must be created, sustained, and built upon. While based heavily on perceptions of quality of products or services, companies must also build trust deep within their organizations, in the way they address the financial marketplace and treat employees, the environment, and other key stakeholders.

Just as trust benefits companies, mistrust or lost trust has costs. At least 64% of opinion leaders in every country surveyed said they had refused to buy the products or services of a company they did not trust. Roughly half of opinion leaders surveyed in the US, Canada, France, Germany, and Spain had refused to accept employment with a company they didn’t trust. In Japan and China, the figure exceeded 60%.

More than half of all respondents in North America and Europe said they had intentionally ignored attempts to communicate with them by companies that had earned their distrust.

As a chairman of a leading global financial company recently told Harrington, “[All] companies sell just one basic product – trust.”

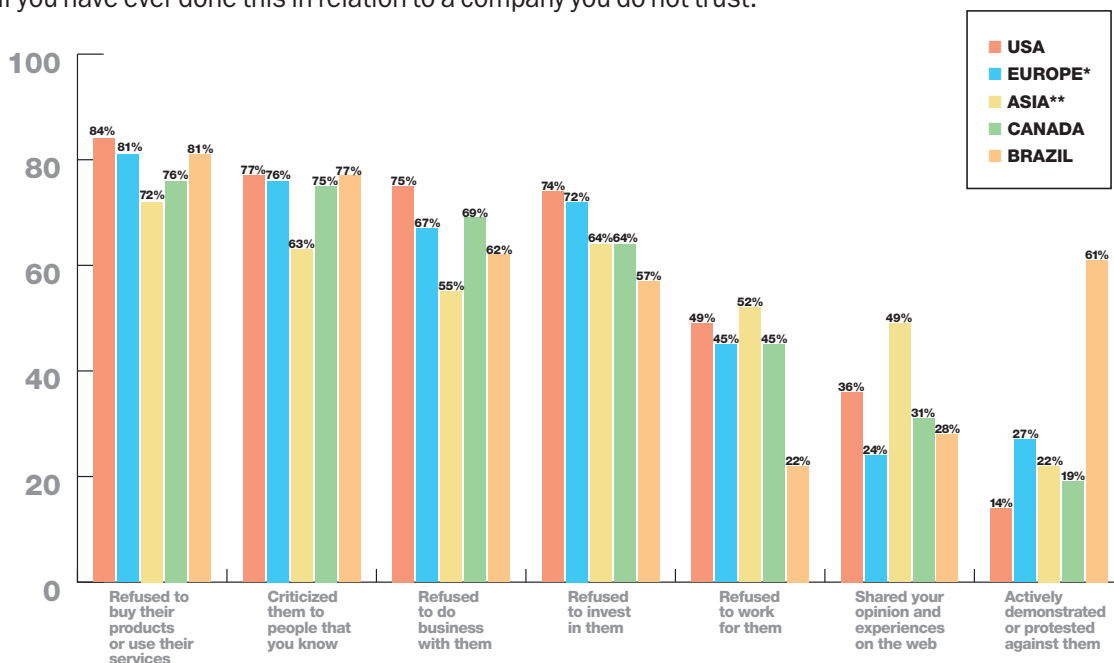
Addressing trust deficits is tougher than ever as individuals have more channels through which to air grievances. “An opinion leader telling someone they know they’ve lost trust in a company and its products or services can set off an epidemic of viral protest,” says Harrington.

Beyond this, opinion leaders, by their nature, are prone to activism, and report a willingness to extend that activism to spreading their mistrust of an enterprise. More than 40% of survey respondents in all countries, except France and Brazil, have supported legislation controlling or limiting the activities of companies they do not trust.

“Sophisticated organizations now recognize and treat reputation and the manner in which they communicate as areas that need to be managed from a risk perspective,” says Harrington. “In fact, trust is at the center of comprehensive risk management.”

The importance of trust

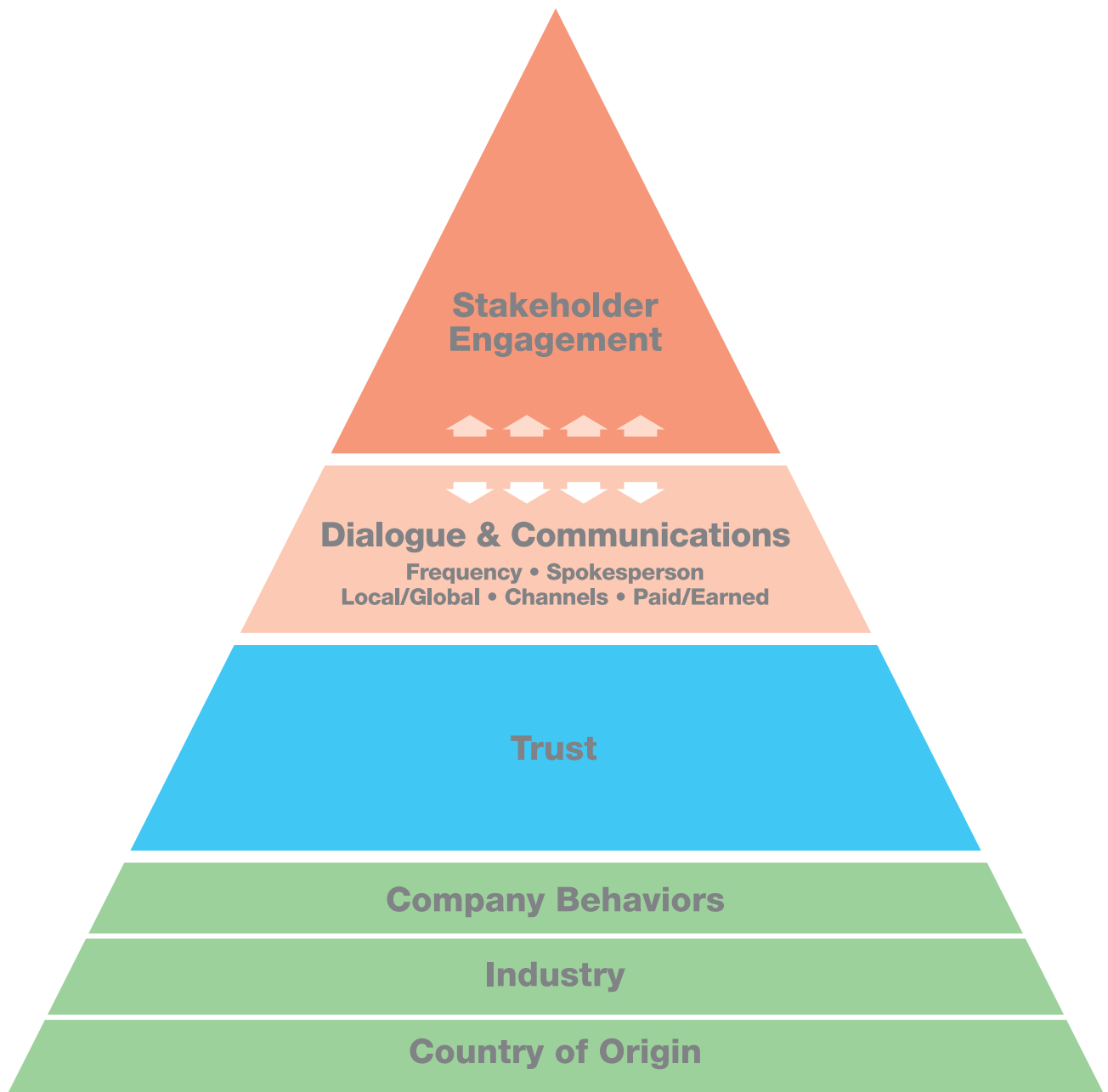
Tell me if you have ever done this in relation to a company you do not trust.



*Europe=UK, France, Germany, Italy, and Spain; **Asia=China, Japan, and South Korea

The Trust Pyramid

Trust is derivative of a corporation's country of origin, industry, as well as its own behavior. It is conveyed through communications programs combining a channel mix, paid and earned media, credible spokespeople, frequency of communications, and the coupling of local and global communications.



The trust house

Certain attributes build trust for top corporations all over the world

The days of delivering a reliable product at a good price being enough to earn a good reputation are over. Expectations are higher than ever. There is no question that cultivating a local perspective, focusing on customer service, and a long track record of success are still important. But today's higher expectations combined with the reality of media fragmentation and information clutter make it even tougher for companies to stand out.

Trust is not driven by one particular audience's viewpoint; regional variations require multifaceted programs of extraordinary depth. The Edelman Trust Barometer surveys opinion leaders in 11 different nations precisely because patterns of trust vary globally. And though perspectives differ around the globe, the cornerstones upon which trust is built remain fairly consistent. Common themes emerge through in-depth analysis of the research.

The diagram on the opposite page represents the main factors currently driving trust: company behaviors, industry, and country of origin.

Company behaviors

Of the three factors, company behaviors – or the manner in which a company engages with its stakeholders – is the lone factor that companies can exert some control over.

The data indicates that the business transaction is paramount among these behaviors. Indeed, above all else, respondents trust quality. The quality of a firm's products and services contributes most to the perception of credibility. In every market, quality ranks among the top three attributes. It is the most cited factor in the US and Canada. In Brazil, Italy, Spain, Japan, and South Korea, more than 90% of stakeholders stress its importance.

"If you put your name on your products, that's a fundamental symbol that you are accountable for quality," explains Michel Ogrizek, vice chairman of Edelman. "People trust that."

Ogrizek notes that the association of a venerable name with well-loved products is a reason why Johnson & Johnson scores so high, year-after-year, in the Barometer.

"Since Unilever has put its corporate brand on its packaging, trust in the company has increased 30% in Japan and China, 24% in Brazil, and in all countries where people are very sensitive to brands and corporate leadership," he says.

"Attentiveness to customer needs" is the second most important attribute in building trust, finds the survey, ranking first in the UK and tied for first in France. While the means for reaching customers proliferate with new technologies, attentiveness – which might be characterized as good old-fashioned "customer service" – will likely differentiate the most trusted companies from their competitors.

Though the "importance of fair pricing for products and services" doesn't rank quite as high in most markets as product quality and customer attentiveness, it may become increasingly significant.

Regional variations exist. For instance, strong employee and labor relations remain critical across Europe and in Brazil. "There is a real sensitivity toward those issues in certain places," Ogrizek explains.

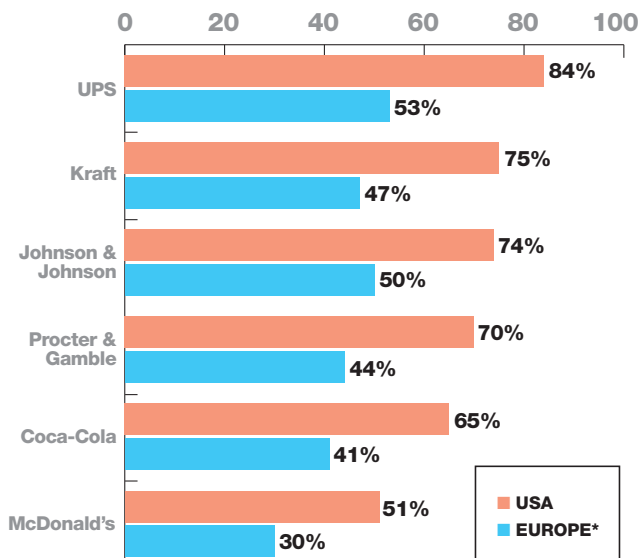
It is also an opportunity, he adds. Unlike other factors impacting trust, employee relations is seen as a corporate behavior, notes Ogrizek. "It's a mindset that can, with effort, be changed," he says.



Michel Ogrizek

Trust discount for US brands in Europe

How much do you trust each company or organization to do what is right?



*Europe=UK, France, and Germany only

“The impact of globalization – offshoring, outsourcing – does not help build trust in corporations and leadership in Western countries.”

Brand familiarity also builds trust in a handful of markets, notably the US (where it is cited by 60% of opinion leaders) and South Korea (84%). And though the “celebrity CEO” seems to be cycling out of fashion, a highly visible CEO can help build trust, particularly in Germany and Japan. Strong financial performance is also deemed a pivotal building block of trust in the US, South Korea, and Japan.

“There’s this assumption in some places that if you make money, you must be doing something right and that you’re contributing to society through job creation,” says Ogrizek. “That engenders trust.”

Social responsibility, such as disaster aid, tends to build trust more than shareholder returns in some markets in Europe and Asia.

“In Italy, China, and especially Japan, there is a long tradition of big companies, especially foreign ones, getting involving in society through philanthropy,” he explains. Hurricane Katrina and the spotlight it put on both government and corporate responsiveness pushed the issue of CSR higher on the agenda.

Companies like Wal-Mart found favor in their disaster responses. “After what we saw this year, with tsunamis, earthquakes, and hurricanes, I’d be surprised not to see this become more implicitly required of businesses,” Ogrizek affirms. “People increasingly have confidence in public-private partnership – between companies, governments, and NGOs – because they understand nobody can solve problems alone, but it places higher expectations on corporations.”

Authenticity and brand alignment must be at the forefront of any CSR program, Ogrizek adds. “For CSR to drive reputation, it must be completely aligned with the corporation’s business objectives,” he says. “Jeff Immelt, CEO of GE, was transparent when he said, ‘Green is green’ to explain his firm’s multiyear, multimillion investment in sustainable technologies. That’s CSR that drives credibility.”

Ogrizek cites Nike as a stellar example of successfully repairing lost trust by changing a company behavior. Once on the receiving end of mass criticism for its subcontractors’ treatment of Third World factory workers, Nike, over the past decade, launched a high-profile campaign to document the conditions of its factories overseas. It is now reaping the benefits in terms of increased trust.

“Nike went through a phase of criticism when they first started being more open because one necessary side effect of transparency is revealing things that people didn’t know – about subcontractors’ working conditions,” Ogrizek says. “But Nike has regained trust and then some, because people saw that it took measures to fix the problems while continuing to operate transparently.”

Nike’s trust has risen 40% to 56% in the US, and 25% to 45% in Europe in the past five years – proof that a company’s concerted trust-building efforts across marketing, production, and corporate activities have the potential to effect meaningful change over time.

Industry

The two other factors heavily impacting company trust are elements companies have little sway over: industry and country of origin.

The Barometer shows that the perception of a company’s sector exerts a gravitational pull over the level of trust a company receives.

Indeed, consumer tech companies enjoy strong levels of trust in nearly every market, while sectors like pharmaceuticals and energy are less trusted across several markets. These disparities are built on ingrained perceptions and business realities that are most often out of the hands of the individual companies operating in their sectors.

Ogrizek notes that the pricing difference between technology and pharmaceuticals is a telling example of how this plays out.

“The more innovation we see in technology, the less we pay for it,” he says. “Laptops used to cost thousands; now they cost less and do more. Compare that with the drug companies. The more potent the product, the more expensive it becomes.”

Consumers may perceive that as a serious disconnect, and overall perception of the pharma industry may be negatively affected by realities beyond its control. Not surprisingly, overall ratings for the industry lag in several markets, including the US, Germany, and Italy. Ironically, this dynamic seems to work in reverse for the pharmaceutical industry in nations like Canada, where generous state-subsidized healthcare programs have made access to the latest in pharmaceutical technology affordable and nearly universal.

In recent years, some companies have focused on distancing their brand from negative public perceptions about their industry. Foremost among these efforts is BP’s “Beyond Petroleum” campaign, which highlights the energy company’s research into alternative fuel technology. The campaign implicitly addresses the perception that petroleum companies profit by perpetuating global dependence on petroleum despite the long-term environmental implications.

MICROSOFT GETS PERSONAL

Hugh Davies, head of PR, Microsoft UK

Trust is vital for success, especially when you mean something different to each audience. We know that trust is driven by quality of products, treatment of customers and employees, perceived value of products and services, and the company’s financial performance.

We know that people judge Microsoft mostly on their personal experience of using our products, whether we develop software applications to make a business more competitive, edit footage of the latest family celebration, check e-mails between meetings, play games, or listen to music.

I believe that our high trust ratings are driven by two factors:

- **Product Innovation.** UK consumers have sought to experience a wider range of innovative products in entirely new settings. Today, we use software to check e-mail or messages, compete in Xbox Live virtual game tournaments or organize our music and photos on our PCs.
- **Communications Strategies.** We now talk less about the technicalities of our products and more about the benefits to individuals – at work, home, school, or play. While we are a global organization, we tailor communications strategies and activities to local audiences. We also work hard to communicate at a national and local level about key factors that drive any company’s reputation: our approach to CSR and the fact that we are independently recognized as a great place to work.



Hugh Davies

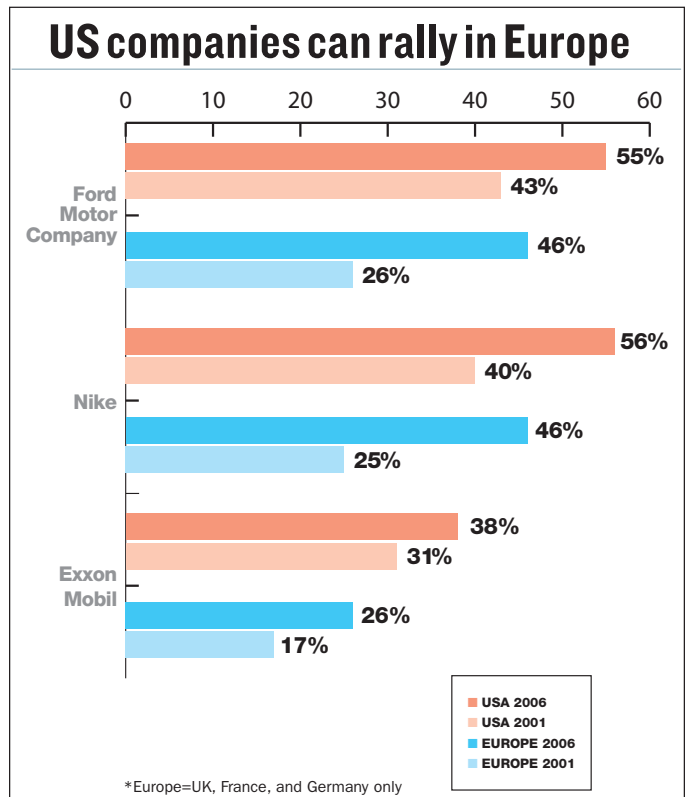
Country of origin

Even as many multinationals have gained widespread brand recognition across dozens of markets, nationality still matters. The “trust discount” for iconic US brands operating in Europe may be the most visible representation of this. For example, while P&G boasts a 70% trustworthiness rating in the US, it only gets 38% in Germany and 29% in Spain. This discount seems particularly pronounced for consumer-facing brands: McDonald’s is trusted by 51% of US opinion leaders, but only by 24% in France, 28% in Britain. Similarly, Heinz’s 70% ranking in the US plunges to 31% in France, 22% in Italy.

“The discount is very real,” Ogrizek says. “Certainly, a lot of this has to do with the unpopularity of the Iraq war, but it also expresses a European cultural reaction to globalization. There is a misunderstanding in Europe – many people think globalization is Americanization. This is simply not the case, and the Asian footprint on the world’s economy will demonstrate it.”

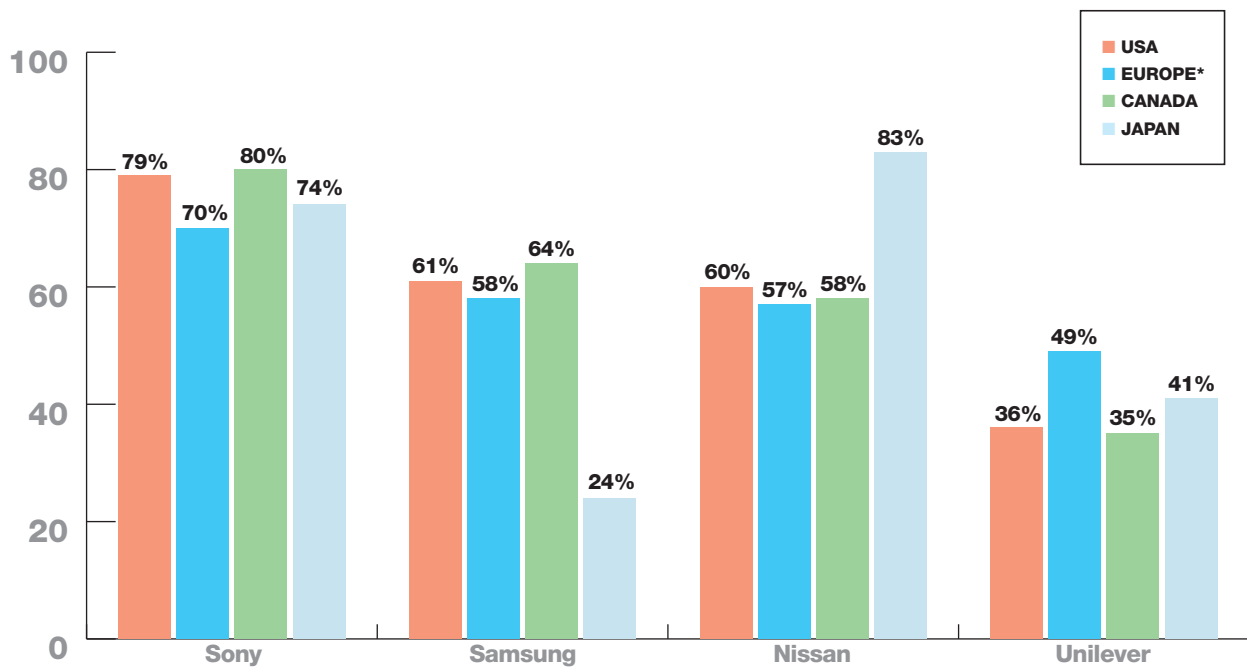
However, the effect of nationality in this instance is real and poses a challenge for US companies trying to woo qualified employees for their work with local and regional regulators. Ogrizek says that historically US firms think legally first, not politically or culturally.

Nevertheless, nationality can confer positive effects on a company’s trust level. Many Western brands command high levels of trust in Japan, China, and Brazil. And Coca-Cola, the quintessential US brand, enjoys a significantly higher trustworthiness ranking in all three countries than it does in the States.



No cross-border deficit for non-US brands

How much do you trust each company or organization to do what is right?



Trust across borders

A view of how the world's nations trust foreign-based corporations

In his bestselling book, “The World Is Flat,” *New York Times* columnist Tom Friedman posits that the rapid deployment of communications technologies around the globe is building an interconnected world market where labor and products are available to nearly anyone with a broadband connection.

One of Friedman’s central points is that this burgeoning global interconnectivity is forging a world where a country’s desire to participate in the global economy will trump borders. In contrast to this harmonious vision of the future, the Edelman Trust Barometer indicates that national tensions and suspicions of other countries still inform the distrust that many feel toward particular companies.

Tensions will often emerge during the merger of two companies headquartered in different countries. That reality was apparent when Chinese state oil company CNOOC saw its attempt to acquire US-based Unocal fall apart amidst US congressional concerns over Chinese ownership of an American oil company. Pride of national ownership extends beyond vital industries like oil.

There were protests in communities when Swiss food giant Nestlé tried to acquire Hershey, the American candy icon, in 2002. Similarly, several European countries, such as France and Italy, have taken steps to protect national companies.

In every market, Chinese firms are trusted considerably less than those companies headquartered elsewhere. Brazilian stakeholders trust Chinese firms the most (37%). The percentage hovers around the low 30s in Europe, hits 31% in the US, and falls into the 20s in Canada and South Korea. Despite the fact that China recently over-



Matthew Harrington

Trust in companies headquartered in other countries

How much do you TRUST global companies headquartered in the following countries to do what is right?

Location of co. headquarters	NATIONALITY OF RESPONDENTS										
	USA	CAN	UK	FRA	DEU	ITA	ESP	JPN	CHN	KOR	BRA
CANADA	71	81	79	79	71	84	75	86	64	82	78
GERMANY	59	70	66	77	68	85	83	91	75	88	87
UNITED KINGDOM	70	72	79	63	57	82	70	85	69	81	81
JAPAN	62	70	67	62	66	77	78	91	35	61	87
FRANCE	39	58	58	73	67	79	69	79	71	85	85
UNITED STATES	70	53	42	55	41	69	69	80	68	69	67
SOUTH KOREA	40	40	37	31	30	33	35	30	68	66	51
INDIA	49	41	40	33	25	41	20	30	27	28	38
CHINA	31	28	33	30	34	33	32	16	68	20	37

Top 4 Box (6-9)

Trust levels below 50% shaded blue

took the US as Japan's leading trading partner, the history between those two nations influences growing economic ties when it comes to corporate trust. Only 35% of Chinese believe Japanese-based firms usually do the right thing, while a mere 16% of Japanese stakeholders believe Chinese-based firms will do so.

Beyond the Sino-Japanese relationship, the study noted that only 42% and 41% of UK and Germany opinion leaders, respectively, trust global companies headquartered in the US to "do what is right." European countries have little trust in firms based in South Korea and India. Trust ratings for South Korean and Indian companies among German stakeholders hover at 30% and 2%, respectively. Only 53% of Canadians trust organizations headquartered immediately south of their border to do the right thing.

India receives low levels of trust from some of its upstart rivals, including China and Brazil. Although opinion leaders in the most established Western economies have higher-than-average levels of trust in Indian-based firms, stakeholders in the US, UK, and Italy mistrust Korean-based firms.

Making cross-border mergers work

German firms consistently get high marks around the globe. However, this did not help the merger of German-based Daimler and US-based Chrysler. Although the merger satisfied regulators, it has not assuaged the concerns of employees.

"With Daimler and Chrysler, the deal was positioned as a merger of equals," says Matthew Harrington, president of Edelman's East-

ern region. "At the end of the day, though, it was obvious to anybody paying attention, whether you were a Chrysler employee or just somebody watching the news, that it was a takeover and the Germans would be running the show. They'd have been better off if they were just candid about who was going to be in the driver's seat from the get-go."

David Brain, Edelman's European CEO, points to the union of Belgian-owned Interbrew and Brazilian-based AmBev as an exam-

Tensions will often emerge during the merger of two companies headquartered in two different countries.

ple of smart multinational communications throughout a cross-border merger process. The resulting company, InBev, one of Brain's clients, is a company with 70,000 employees in 35 markets, speaking 30 different languages.

"In addition to outlining the strategic vision years into the future, there was a conscious effort to present it as a merger of the best of two cultures, rather than one company – and thus one culture – swallowing up the other," Brain says. "It was called a 'combination' and portrayed as a marriage of two equal partners – which it always was from the start."

Mistrust in foreign companies acquiring national companies

Which foreign company would you be least likely to TRUST if it acquired a domestic firm in the following countries?

Location of co. headquarters	NATIONALITY OF RESPONDENTS										
	USA	CAN	UK	FRA	DEU	ITA	ESP	JPN	CHN	S. KOR	BRA
CHINA	43	35	24	38	28	36	24	65	9	51	33
S. KOREA	21	15	30	21	16	28	23	13	3	2	17
INDIA	5	13	8	13	20	17	32	11	34	15	25
UNITED STATES	3	21	13	21	22	11	13	6	1	15	18
JAPAN	2	5	2	3	1	1	1	1	50	14	2
FRANCE	16	1	8	1	3	2	3	0	1	3	1
GERMANY	2	1	3	0	0	1	0	0	0	0	0
SWITZERLAND	2	1	0	1	1	1	0	0	1	0	0
UNITED KINGDOM	2	3	4	1	4	0	0	0	0	0	0

Top 4 Box (6-9)

Top 4 mistrusted nationalities shaded blue

Trust by sector

Trust in a company often corresponds to how its sector is perceived

The Edelman Trust Barometer finds a strong correlation between the level of trust a company enjoys and the perception of the sector(s) in which it operates. Across nearly all regions, the technology industry is among the most trusted sectors, with companies such as Samsung ranked among the most trusted companies globally. By contrast, the energy sector continues to rank among the least trusted industries, with several energy companies experiencing a “trust deficit” in key markets. However, there can be a wide variance in the perception of a sector from market to market.

Nancy Turett, chair for Edelman’s Global Health Practice, says companies should strive to ensure that their reputations rise above that of the sector in which they operate.

“If they don’t,” she cautions, “they can find themselves dragged down by a broad, and sometimes unfavorable, definition of their industry. Besides, in a world where definitions are blurring

because of the convergence of so many sectors—consumer with health-care, entertainment with technology, retail with consumer products—companies must transcend their industry and define themselves.”

For example, Johnson & Johnson, one of the more trusted companies as measured by the Trust Barometer, is an example of a company that has achieved a positioning that transcends the multiple arenas in which it operates.



Nancy Turett

Trust in industries

How much do you TRUST businesses in each of the following sectors to do what is right?

HIGH RANK ↓ LOW	NATIONALITY OF RESPONDENTS				
	USA	EUR*	ASIA**	CAN	BRA
1	Retail	Technology	Technology	Retail	Technology
2	Technology	Retail	Automotive	CPG	Automotive
3	CPG	CPG	Energy	Professional Svcs	CPG
4	Investment/Insurance	Professional Svcs	Retail	Pharmaceutical	Retail
5	Professional Svcs	Automotive	Telecom	Financial Services	Media/Entertainment
6	Telecom	Telecom	Pharmaceutical	Technology	Energy
7	Financial Services	Pharmaceutical	CPG	Telecom	Financial Services
8	Automotive	Media/Entertainment	Financial Services	Investment/Insurance	Pharmaceutical
9	Pharmaceutical	Financial Services	Professional Svcs	Media/Entertainment	Telecom
10	Media/Entertainment	Energy	Investment/Insurance	Automotive	Professional Svcs
11	Energy	Investment/Insurance	Media/Entertainment	Energy	Investment/Insurance

*EUR=UK, France, Germany, Italy, and Spain; **Asia=China, Japan, and South Korea; CPG=Consumer Packaged Goods

The most trusted sectors

Technology, retail, and consumer products are the most trusted sectors globally, as each ranks among the top three in most markets. There are key differences by market, with automotive scoring very high in Asia and Brazil but receiving lower levels of trust in the US and Europe.

“Technology has played a very positive role in the lives of so many people,” Turett says. “Companies in this sector have done an excellent job of positioning their industry as one about the future, as a standard-bearer for innovation. They also speak from many levels, through charismatic CEOs like Larry Ellison, Steve Jobs, and Jeff Bezos, as well as unbridled employee bloggers and citizen journalists. They give the impression that they have nothing to hide. The Trust Barometer underscores that transparency is central to trust in a brand.

“Leaders of companies in other industries would do well to take a page from tech’s playbook,” she adds. “GE, for example, with its focus on renewable energies, has demonstrated leadership on future issues.”

The least trusted sectors

Entertainment and media (together) and energy are generally the least trusted industries. In the US, the media and entertainment sector is the second least trusted; it ranks last in Asia, eighth in Europe.

“The convergence of entertainment media with news and information media has decreased media’s credibility,” notes Turett. “Plus we see new tech companies, whether it’s Apple (iPod), Microsoft (Xbox), or Sony (PlayStation), really driving innovation – not the media companies. The industry is also probably hurt by being the one most publicly associated with trying to control advances in technology, albeit because of legitimate concerns over intellectual property rights.”

As many recent product – and scandal-related – incidents have shown, companies must recognize the impact that trouble in one sector has on the perception of their business in others. “The real brand problems occur when there’s a repeated ‘insult’ to an industry’s trustworthiness,” Turett adds. “Stakeholders are less forgiving and more

readily assume that whatever happened wasn’t an isolated incident.”

The telecommunications industry also receives a tepid trust rating across several markets, particularly in the US, Canada, and Europe. Yet, it’s more trusted in Asia.

“The telecoms industry has not seen a benefit from any of the technological progress associated with improved connectivity, broadband access, or customer service, despite the billions of dollars spent on ads,” Turett says. “People increasingly view telecoms as a price-sensitive commodity industry. In contrast, the retail industry has successfully communicated its innovations in the online arena, personalized customer attention, loyalty programs, choice, design, and value.”

Differences by market

If trust counts, the old US maxim of “as GM goes, so goes the nation” no longer applies. The auto industry is now just the sixth most trusted sector in the US. By contrast, the Japanese have continued to solidify their dominance in the sector, and Toyota is on the verge of becoming the world’s leading carmaker. Accordingly, the Japanese trust the automotive sector. This difference among markets is also true of the energy sector, which receives low trust ratings in the West, but substantially higher ones in the developing economies of Asia and Brazil.

The Barometer tracks significant differences in trust in sectors across countries. Retail, financial services, and the investment/insurance industries register low levels of trust across several markets, even though stakeholder trust would appear to be more critical to their industries than just about any other. In Asia, a fast-growing market for financial services, the investment and insurance industry is second to last in trust. Meanwhile, the professional services sector has very low levels of trust in Brazil and Asia, but is highly regarded in Canada and Europe.

“The financial services industry has its work cut out for it in the developing economies,” Turett says. “Though times are mostly good in Brazil and Asia, people there remember last decade’s economic crisis – bank failures and widespread financial trauma. The industry’s challenge is to demonstrate a sense of stability and long-term commitment to those markets. We know it can turn around in developing markets. In the US, where many problems were experienced a decade ago, it certainly has.”

PHARMA’S CHALLENGE

Despite a host of product recalls and high-profile litigation, pharma remains quite resilient in terms of trust. In most markets, trust levels sit comfortably around 60%; only in three do they dip below 50% (49% in Italy, 48% in the US, and 36% in Germany). Overall, trust in pharma is on par with trust in both the professional services and retail financial services sectors, though it ranks below health providers and hospital services.

To hear Nancy Turett, chair for Edelman’s health-related practices, tell it, the pharma industry faces a trust dilemma that is in part inherent to the industry itself. “People benefit from these products every day,” she explains. “But sometimes the business is seen as profiting from peoples’ vulnerabilities. The older people get, the more they rely on these products. So a level of resentment and mistrust is probably impossible to erase completely.”

Further complicating the industry’s task is the number of audiences to which the industry must communicate. “People forget that up until a few

years ago, this was a b-to-b industry,” Turett notes. “Companies had one customer: doctors. Now they have hospitals, government, and consumers.”

To account for these challenges, pharma firms must make their fundamental culture of R&D and innovation more visible to the external world. At the same time, they need to communicate more transparently about the protocols for clinical trials – for example, disclose the factors that determine when they should be discontinued – as well as make public the steps they’re taking to address pricing concerns.

“Because pharmaceuticals are seen as a public utility and a private-sector capitalist product, pricing is a very complicated issue,” Turett notes. “Virtually all of the companies have taken steps over the past few years to make products available to people who can’t afford them. There’s always a possibility of being accused of showboating if you talk about this, but that doesn’t mean companies shouldn’t talk.”

Building trust

The steps organizations must take to build trust

Edelman vice chairman Leslie Dach offers his opinion for building trust. “It’s about responsible behavior,” he says. “It’s about communicating. It requires institutions to do more things simultaneously, every day, more effectively.”

Trust starts with a company’s business promise. Audiences first relate to whether a company makes a good product or provides a valuable service. If it has a reputation for poor products or customer service, it begins at a huge trust deficit. The next benchmark is how companies treat their customers, communities, and employees, which may be connected to sustainability, philanthropy, wages and benefits, or all of the above.

To communicate the behaviors and values that build trust, Dach, a former top US political advisor, stresses the importance of working across a range of mediums. “We approach the task like a campaign,” he explains. “You have to be on TV for people to see the pictures, in print for people to read the facts, on the web for people to interact, and on the streets to have a conversation.”

The availability of new media is no reason to neglect the traditional

media channels. Dach says, “Our research shows that people will still turn to local sources first.” Business publications are also highly credible. But reaching people is more difficult than ever. “Because of the number of choices available to consumers, it takes a lot more coverage in order to move minds,” he says. “You must connect with audiences continually across a broad array of channels, through various stakeholders, to truly engage people.”



Leslie Dach

The Internet and peer-to-peer communications

TV is still the medium most opinion leaders turn to first for trust-

Corporate attributes that build trust

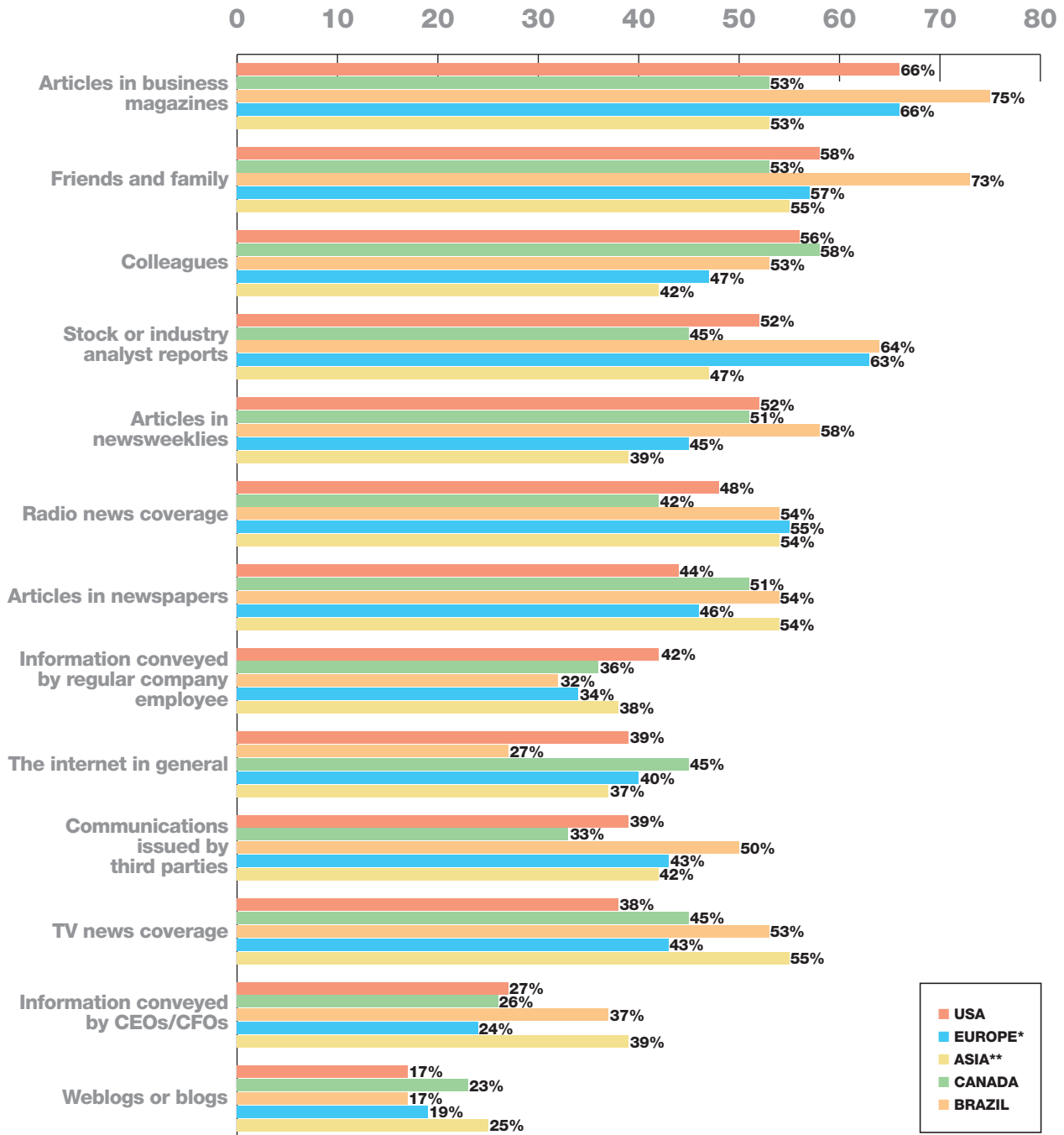
How much do each of the following attributes contribute to your trust?

	NATIONALITY OF RESPONDENTS										
	USA	CAN	UK	FRA	DEU	ITA	ESP	JPN	CHN	S. KOR	BRA
Quality products and services	68	67	72	79	87	95	90	91	75	91	96
Attentiveness to customer needs	67	65	76	79	80	93	86	82	74	85	95
Fair pricing for products and services	61	57	69	69	53	91	85	89	75	83	94
Good employee and labor relations	60	53	64	74	76	86	80	73	72	71	98
Strong financial performance	63	54	63	49	60	85	75	95	71	85	85
Socially responsible activities	55	49	62	68	66	85	75	86	78	74	93
Well-known corporate brand	60	56	66	60	52	71	77	78	78	84	88
Dialogue with all stakeholders	48	48	53	47	63	69	57	76	60	75	86
A visible CEO	45	37	46	47	75	59	64	76	58	67	70
Employee or CEO blogs	27	34	30	45	42	44	47	54	70	55	57

Top 4 Box (6-9)

Credibility of information sources

How credible is each of the following sources of information about a company?



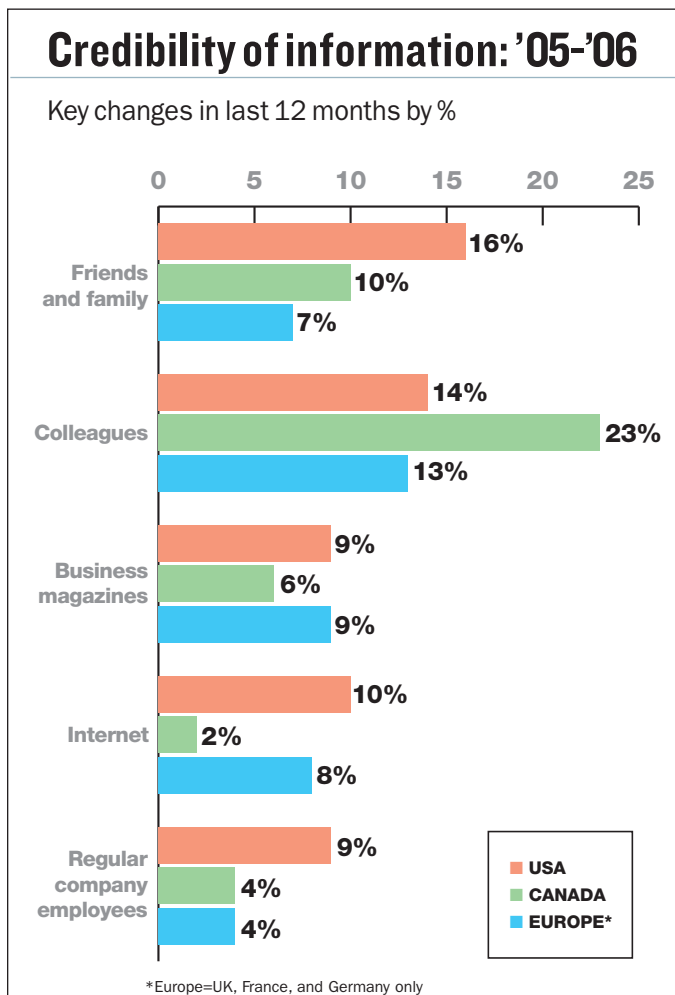
*Europe=UK, France, Germany, Italy, and Spain; **Asia=China, Japan, and South Korea

worthy information. However, its influence has declined, largely as a consequence of the Internet, which surged into third place in most markets.

“The Internet is just as important as TV or print,” Dach stresses. “What it does is connect people to other people. It offers information in ways that weren’t possible as recently as seven or eight years ago, and in a manner that wasn’t feasible until the recent adoption of broadband.”

A by-product of the Internet is the “peer-to-peer” phenomenon in which individuals who have interacted with a company or its products are becoming the most trusted sources of all. Friends and family are considered either an “extremely” or “very” credible source of information by 58% of US respondents (up from 42% in 2005), second only to articles in business magazines.

Dach suggests that the number of information sources prompts individuals to seek help from people with shared values to sort through it all. “Without having it filtered and/or verified by somebody they know well and whose values they trust, this information isn’t anywhere near as valuable,” he says. “Traditional media tries hard to be value-neutral – that’s their job. But people also want information from other people whose values mirror their own.”



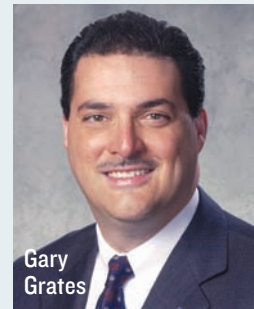
Repetition, and the limits of advertising

In most markets, more than 90% of individuals strongly or somewhat agree that they “usually don’t believe something the first time [they] see, read, or hear it.” The majority of opinion leaders around said they get more information from news stories than advertisements. It is crucial that PR play an active role in this mix.

“It used to be that the corporate world would decide what it was going to do, then send it over to the communications folks to be sure everyone else knew about it,” Dach recalls. “Now, there’s an understanding that behavior and communication must be tightly connected.”

EMPLOYEE EMERGENCE

“For too long, internal communications was nothing more than newsletters reporting on bowling scores, annual company picnics, and the United Way drive,” says Gary Grates, former corporate communications VP at GM North America, and Edelman’s global leader for change communications/employee engagement. Grates says companies can no longer treat employees as a single, homogeneous group or expect them to be satisfied with three-paragraph company announcements.



“They want contextual information on the business, including the company’s strategic direction, how decisions are made, and competitive issues, not just pabulum aimed at making people feel good,” he says.

Failure to deliver that can create a reputation problem for the company. “Employees now will blog about everything from their pensions, the quality of their products, the way they’re treated, and everything else,” notes Grates. “And other people will listen.”

According to the Trust Barometer, opinion leaders also consider rank-and-file employees more credible spokespeople than corporate CEOs (42% versus 28% in the US). Trust in “regular employees” and “colleagues” is growing, and is already significantly higher than information conveyed by a CEO in Western countries. That gap is narrowing in Asia and Brazil, too. In the US, trust in regular employees surged from 30% in 2005 to 45% in 2006.

“These days, the most enlightened companies in the world are built in large part through the ability to connect with employees at all levels,” says Grates. “It’s an inside-out approach to brand optimization.”

Edelman also created a Web site (www.futureofms.com) for Morgan Stanley employees to share their views during the recent “Gang of Eight” campaign for governance reform and senior management change. The site provided a central meeting place for employees to learn about the intentions of the dissident group. This was a crucial part of the campaign’s success.

“CEOs and employees are witnessing a fundamental shift in the workplace,” Grates says. “With information ubiquitous, time precious, and competition global, the need for purpose and meaning within the organization has reached a new level. Leaders willing to commit the time and energy to strengthening their communications philosophy, systems, and content will reap the financial performance and engagement benefits critical to business success.”

Power to the people

The company's best spokesperson has radically changed

Pam Talbot, Edelman's US president and CEO, has created some of the most influential campaigns in PR. During those efforts, she's directed myriad spokespeople, from Charlie the Tuna for Starkist's Dolphin Safe Tuna, to the voice of the 1-800-Talk Turkey line for Butterball, who comforts overwhelmed Thanksgiving chefs. In the following interview, Talbot discusses one of the Trust Barometer's key findings – the dramatic increase in credibility of a “person like yourself” – and the growth in trust in “friends and families,” “regular employees,” and the like.

Q: *Companies used to be able to turn to a celebrity or the CEO as the spokesperson to deliver their message very effectively, but that is no longer always the case. What types of things do you think companies need to consider in terms of strategy?*

Talbot: Basically, a packaged message always comes across as packaged. Saying “new, now improved” on a box doesn't mean much anymore.

Companies must stop simply promoting products and start generating ideas that are worth talking about. You have to engage the audience in the brand process so that you are delivering something that's truly worth discussing, something that's genuine and relevant in highly specific and personalized ways. Smarter companies have already started embracing the new reality and are using it to develop strong relationships.

Q: *How do you go about accomplishing this? Can you give us some recent examples of how the rise of credibility of “a person like me” is impacting spokesperson strategies?*

Talbot: The Dove campaign is one example. They used average women as models, took them to the media, and let them do the talking. They allowed the message to be about real people, delivered by real people. You identified with the women. That was “people like me” at its best.

Amazon.com was one of the first companies to realize the power of peer-to-peer when it began allowing its customers to write honest feedback about all of the products it sells. There had never before been such candid product reviews available to consumers at the point of sale. The other major example is eBay, where the buyers collectively rate each seller. Therefore, the site allows users to decide with whom they feel good about doing business.



Q: *Is the move away from CEOs or other traditional authority figures (e.g., doctors) a fad or something that will last?*

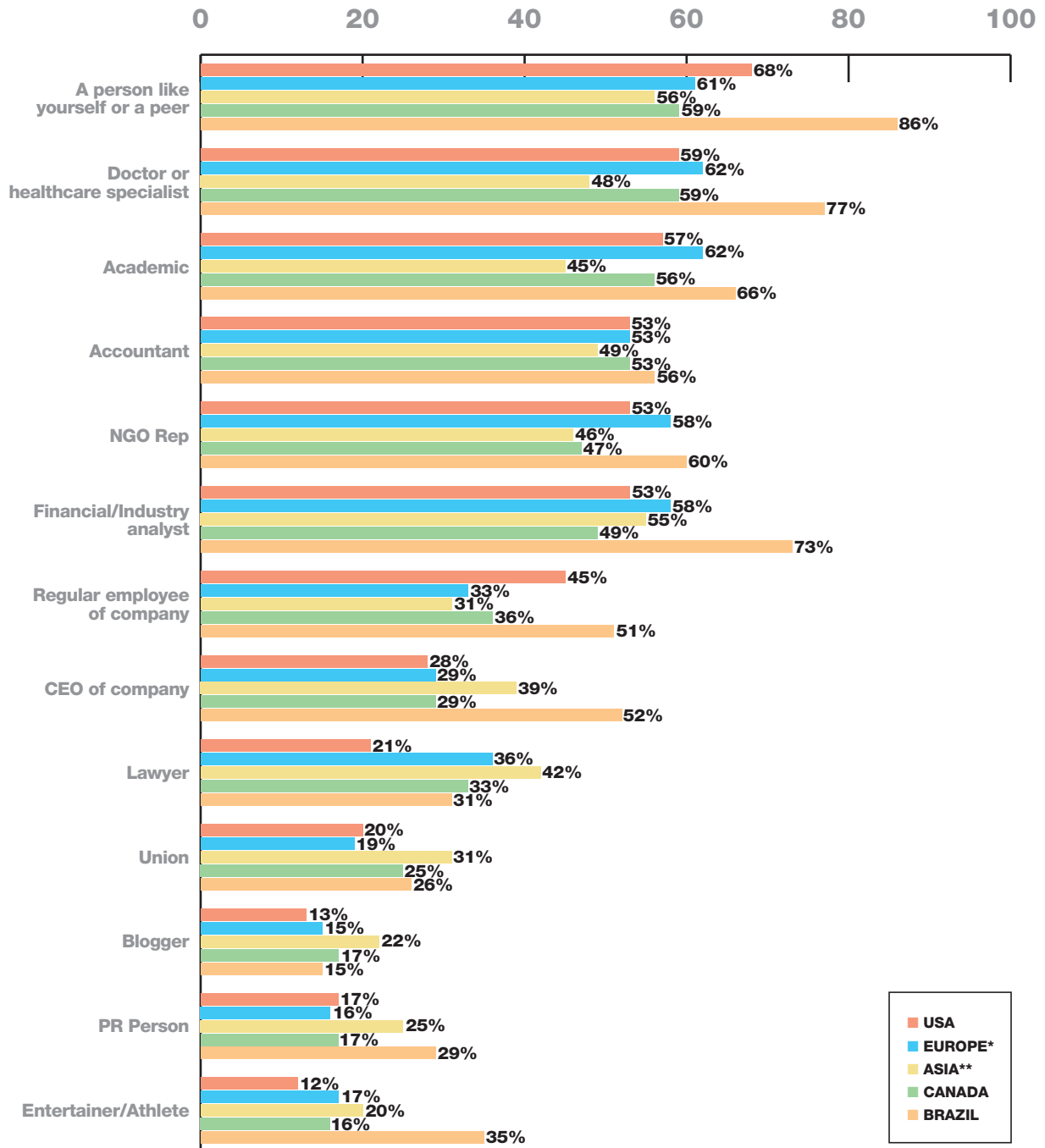
Talbot: It's a phenomenon. It's so consistent across the world, and it has gradually taken hold over the past few years. Will it plateau? I don't know. But the increase in the credibility of friends and family and a “person like me” feels quite real to me at this point. Just as information moves across borders, time zones, and even cultures, this is a movement sweeping the globe.

At the same time, people continue to have trust in people who have letters before or after their names, like doctors. This year in the US, “people like me” surpassed doctors and physicians in terms of trust, but we shouldn't go too far in emphasizing this. I believe what people are doing is saying, “I can no longer rely on a single source of information.” The omniscient, all-powerful source of information – whether a network news anchor, doctor, CEO, or government official – is gone. We either can't or won't believe in them as much as we used to. In a way, people are saying,

“ People are saying, “I can no longer rely on a single source of information.” The omniscient, all-powerful source – whether a news anchor, doctor, CEO, or government official – is gone.

Credibility of spokespeople

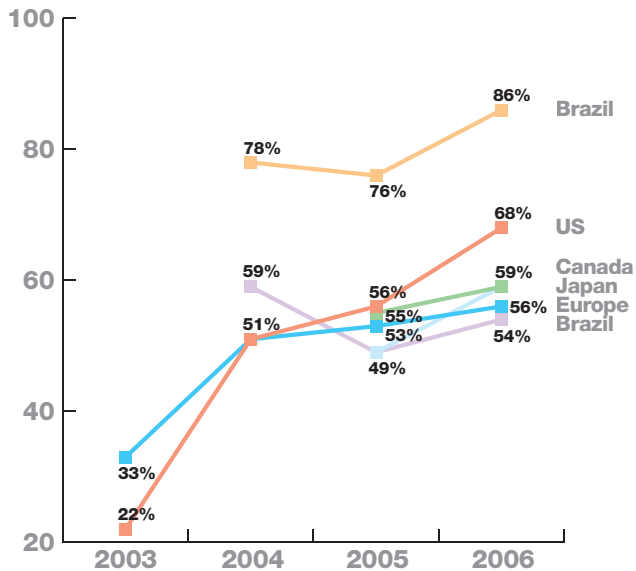
When forming an opinion of a company, how credible would the information be from...



*Europe=UK, France, Germany, Italy, and Spain; **Asia=China, Japan, and South Korea

Spokesperson: “A person like yourself” Change since '03

When forming an opinion of a company, how credible would the information be from...



*Europe=UK, France, and Germany only

“Customization is a critical issue. Word of mouth is driving brands more than in the past, and more than advertising.”

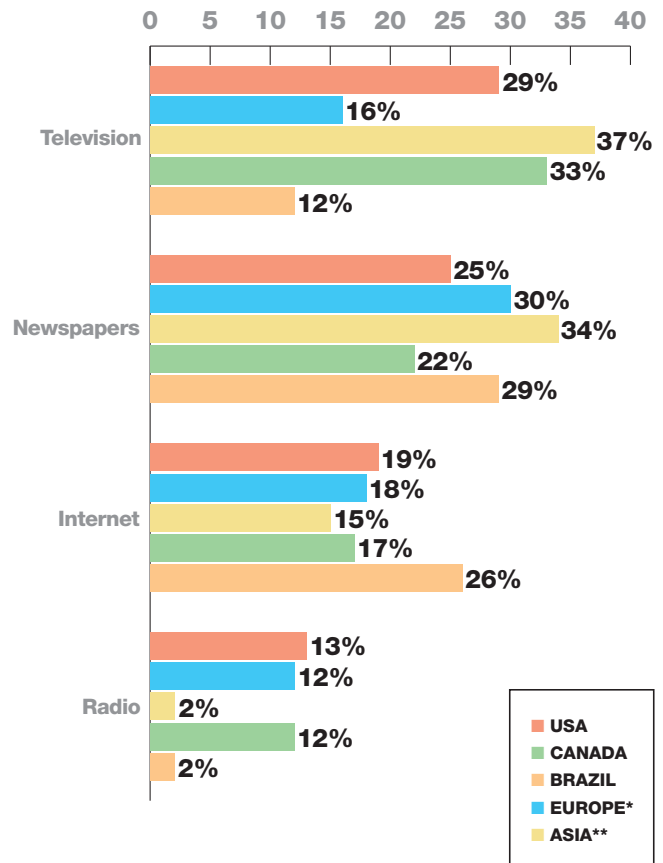
“We believe in our own ability to find information and uncover facts. We won’t give that power back to authority figures.”

Q: Does a “person like me” always refer to people outside of positions of authority?

Talbot: When you say “people like me,” the usual interpretation is “the common man,” but that is not true at all. “People like me” is reflective of who you are in terms of experience and interests. In the case of Morgan Stanley, that gang of eight who challenged management were people who, like so many others, had a stake in the future of the company. They lived the situation and could articulate it in ways that were both relevant and insightful. They captured and articulated a growing sentiment and made it actionable.

First media turned to

What type of media do you turn to first for trustworthy information/news?



*Europe=UK, France, Germany, Italy, and Spain;

**Asia=China, Japan, and South Korea

Q: What has changed as far as what individuals are looking for from products and information sources alike?

Talbot: Customization is a critical issue. Word of mouth is driving brands so much more than in the past, and certainly much more than advertising. What’s happening with information is like what is occurring with products: Everything has gotten more tailored to the individual. You can build your own Nike sneakers and you can get your Starbucks coffee exactly how you want it.

So going to “people like me” for recommendations gives you the highly specialized information you can use to make your choices. It’s like the other person you’re going to is kind of a proxy for you. There’s high relevance and high specificity. You’re building your own information sources and networks, not buying or accepting the one-size-fits-all model.

“ There’s high relevance and high specificity. You’re building your own information sources and networks, not buying or accepting the one-size-fits-all model.

HOW MEDIA MEASURES UP

Though trust in media is low across all countries except for China (73%) and South Korea (49%), trust in print media specifically – from newspapers to business magazines – is high and growing in many markets.

Television is the big loser in media trustworthiness with the rise of the Internet. When survey respondents were asked where they turn first for trustworthy information, 29% of respondents in the US still cite TV, down from 39% three years ago. The Internet is now cited by 19%, up from 10% in 2003. The same trend is evident in the UK, where television has declined from 42% to 33% as respondents’ first choice, while the Internet has risen from 5% to 15%.

Newspapers, which are often thought to be the most serious casualty of the Internet wave, show rankings essentially unchanged in most markets at about 20%. They remain the most trusted medium for information about companies for respondents in France, Germany, Japan, Brazil, Korea, and Italy. Meanwhile, “articles in business magazines” are the most credible source of information about a company (66% in the US, 53% in Canada, 75% in Brazil, 60% in Europe).

Meanwhile, grassroots journalism is also blossoming, and with it the trend of “citizen journalism.” Dan Gillmor, a blogger, columnist, and the founder of Center of Citizen Media, defines “citizen journalism” as “the democratization of the tools of production and distribution of media.”

Traditional media has experienced some image problems in the past few years, which may have a long-term impact on its credibility. For “big” media to sustain audience trust, Gillmor suggests it needs to adopt some of grassroots journalism’s practices. “It should invite what has been an audience into the journalism process,” he advises.

A key problem is that larger media companies limit their interaction with journalists – citizen and otherwise – outside their own doors. “That doesn’t mean they should be responding to every nasty post on every random blog,” notes Gillmor, “but why not identify opinion leaders and join the conversation?”

Gillmor believes that it is partly the media’s responsibility to gain back some of the trust it has lost. “Media should cover each other more thoroughly to help ensure that the bad apples are caught,” says Gillmor. “We cover other industries much better than we do our own.” In addition to monitoring each other, the media should also pay attention to their audience. “They should embrace citizen journalism,” he says. “When people critique, we should listen.”

While Gillmor acknowledges that traditional media has its problems right now, he believes that citizen media and big media can and should coexist. “I don’t want to see traditional media disappear. [Mainstream] media does important work – we need the kind of work they do,” he says. “I’m hoping that there will be an ecosystem in the future that includes both.”



Dan Gillmor

Q: *So people are looking toward more sources of information than they have in the past? Can you give examples of how they are accomplishing that?*

Talbot: People also want to receive information in their own particular way. As an individual, when you are piecing together information, you’re doing a little cross-checking yourself.

Information has more credibility when it’s consistent across multiple sources. I hear from a doctor that some medication is good for me, then I read about it online or hear about it from a friend – now I feel really, really good about it. If there’s more validation from the media, great, I’m on my way.

Look at Amazon: “People who bought this also bought X, Y, and Z.” You think, “Here’s somebody with the same frame of reference. I can trust this person.”

However, there can’t just be one person for everything. If you and I go to movies together and react the same way, I’ll believe what you have to say about movies. But that doesn’t mean our taste in restaurants is the same. Everybody has a series of “people like me” they rely on. This is part of that customized information network I mentioned.

Q: *According to the Trust Barometer, celebrity/athlete spokespeople are the least trusted spokespeople, yet organizations invest millions of dollars in celebrity endorsements. There is also a huge interest among consumers in the lives of celebrities. Should stars be engaged as spokespeople, doing endorsements for the sake of visibility?*

Talbot: They fit in when they’re identified with a certain situation. For example, some celebrities can be the iconic representation of you or your experience.

Think of Lance Armstrong and you think of beating cancer and how he dealt with it. On a different level, how about Jennifer Aniston and what she’s gone through over the past year? Women all over the world are saying, “I might not be like her in every way, but she’s had an experience that I have.”

Dan Edelman was one of the first practitioners to use a celebrity spokesperson to promote a product when he enlisted Vincent Price for the California Wine Institute. However, he was also the first to use regular people when he took a dozen sets of identical twins on the media tour for Toni in 1952. When we took Advil OTC, Nolan Ryan really connected with people and was fundamental to the brand’s success. The key is authenticity.

United States

Trust is built through a dialogue with multiple stakeholders

In the US, the Trust Barometer has tracked a number of changes during the last several years that underpinned Edelman's own work to build trust for companies and their brands. In fact, the Barometer has tracked the declining trust in established stakeholders – from the CEO to financial analysts and even traditional media – in favor of a broader array of empowered audiences.

The study tracked the increase in trust in both the media and government post-9/11, and then a steady decline over the last few years. NGOs, which have been the most trusted institutions in Europe during the survey's seven-year history, have surpassed business as the most trusted institutions in the US this year. CEO credibility has declined following various corporate scandals, and today opinion leaders consider rank-and-file employees more credible spokespeople than corporate CEOs (42% versus 28% in the US).

This is one of the reasons why the retail sector is the most highly trusted industry in the US, as measured by the Trust Barometer. The most effective transaction between the consumer and the retailer is more than a physical exchange of goods for money. It is an exchange of information about the functional philosophy of the company. Successful retailers have always needed to show that they care about the customer, but today the best companies are showing that they care about the same social issues as their customers.

"Historically, many companies treated corporate reputation quite separate from product and brand marketing," explains Pam Talbot, Edelman's US president and CEO. "Today, because of the influence of active employees and consumers, corporations really need to speak with one voice to all audiences across a broader array of channels."

"Collectively, customers have become their own institution and a company's best communications spend," explains Patrick McGuire, president of Edelman's US Western region. One example of a company that has successfully tapped into that sensibility – and that was actually instrumental in creating this dynamic in the first place – is Starbucks. "Starbucks has been masterful in its response to the coffee drinker," says McGuire, who recalls recently overhearing a young employee explain the benefits of shade-grown coffee to a cus-


tommer. "She wasn't just informed – she was passionate," he says. "The way Starbucks has been able to educate staff on key initiatives, and push it out to people through the stores, has been exemplary."

But even as the barriers between companies and customers continue to break down, reaching individuals through the clutter of information is more difficult than ever. This year, the Barometer found that television is the big loser in media trustworthiness with the rise of the internet. When asked where they turn first for trustworthy information, 29% of respondents in the US cite TV, down from 39% three years ago. The internet is now cited by 19%, up from 10% in 2003. Newspapers, often viewed as being the most seriously impacted by the internet wave, show rankings essentially unchanged.

Meanwhile, communicators are feeling the pressure to stretch their budgets to as many platforms as possible. "It's no longer a decision of whether you use advertising or PR, or online or offline," says Mark Shadle, EVP and managing director of Edelman's corporate practice in Chicago. "You must be able to do all those things simultaneously. One recent example is the launch of Microsoft's Xbox 360. "Feedback through dialogue with avid consumers shaped the updated product and, in effect, co-created the brand," he says.

Engaging with other kinds of organizations, such as NGOs, has become imperative for US companies trying to tap into the concerns and needs of the communities they serve. This kind of dialogue has not always been possible, however. "Our clients are engaging with NGOs and finding out the interaction needn't be adversarial or confrontational," Shadle says. "NGOs enjoy the position of being seen as operating in the public interest. In the US, there is an opportunity for companies to reach out to those NGOs and build a win-win partnership across many issues, from environment to health."

The foundation of trust for companies in the US is built through a dialogue between multiple stakeholders. At its core, trust is based on the belief that stakeholders also play an important role in informing the culture and direction of the company itself. "The opportunity is there for companies to engage stakeholders directly – to localize communications, be transparent, and engage continuously."



Trust in NGOs, always the most trusted institution in Europe, has steadily increased in the US – from 36% in '01 to 54% in '06 – becoming the most-trusted institution in the States. Trust in NGOs has also risen significantly in the past year in Canada (45% in '05, 57% in '06) and Japan (43% in '05, 66% in '06).

Europe

The region stays true to its reputation as ‘the skeptical continent’

It is the best of times and the worst of times for businesses operating in the countries of Europe, according to the seventh annual Edelman Trust Barometer. Trust in business registered at dismally low levels in France (28%) and Germany (33%), while business trust in Italy (51%) and the UK (53%) came in at a respectable mark. The Spanish (45%) seemed to split the difference.

Over the life of the Barometer, Europe has had a reputation as “the skeptical continent.” Beyond Italy’s and Spain’s trust in business, this year’s findings may bolster that notion. With a 39% trust rating, the Italian government was deemed the most trustworthy by its citizens. The German government, fresh off an election that lacked a clear victor, had the lowest rating at 27%, with Spain (33%), the UK (33%), and France (32%) all falling in between. Media fared slightly worse, as the Spanish – at 35% – led the pack.

“Europe remains the least trusting region by a fair margin,” shrugs David Brain, Edelman president and CEO, Europe. “It says something when the Italians appear to be the most trusting of them

all, and still their assessment of the trustworthiness of the government and media is well below 50%. If Germans weren’t concerned about the government before, they are now. What happened with the election basically amounted to a rejection of the government.”

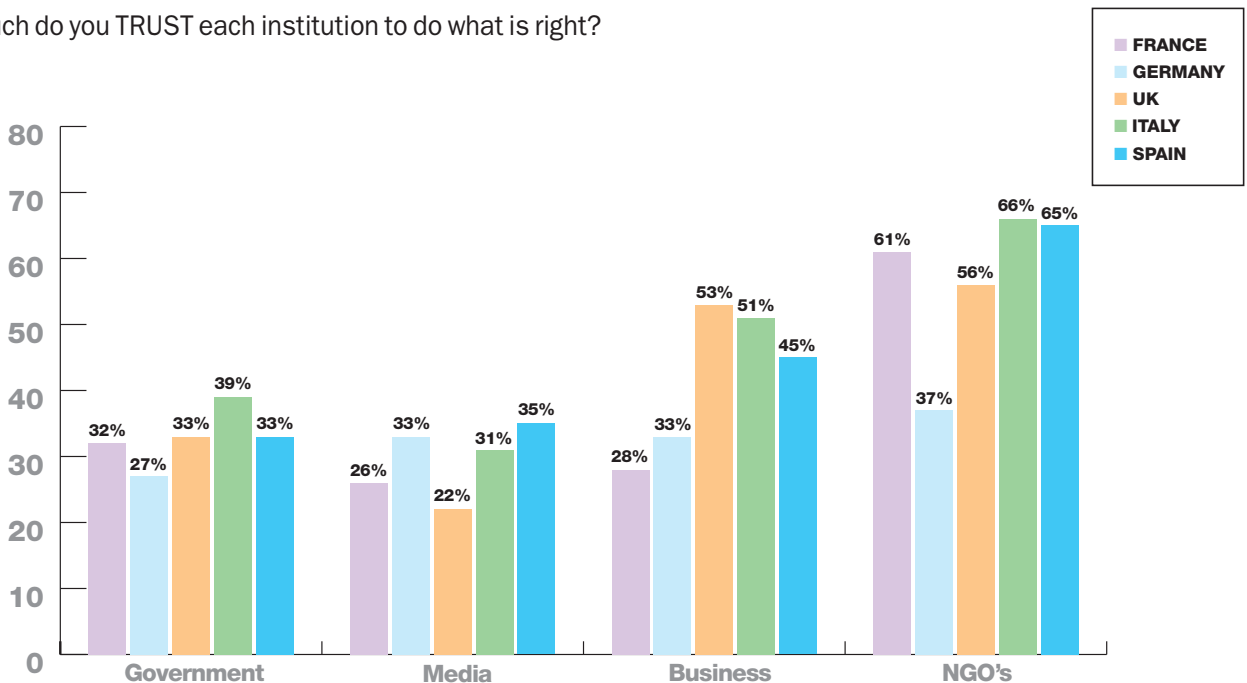
What does this trust-deprived environment mean for organizations hoping to cement relationships with European stakeholders? Firms hoping to succeed in Europe must pay close attention to relationships with employees and organized labor. Only in Brazil do stakeholders place more of a premium on smooth



David Brain

Trust in institutions in Europe: 2006

How much do you TRUST each institution to do what is right?



Europe (cont.)

employer/employee relations than in Europe (86% of Italian stakeholders and 76% of German ones say this contributes to their trust in a company).

“In Germany, you have union representatives on the main boards of almost every operating company,” Brain notes. “What are the odds you’d ever see that in the US?”

Still, there is one area where Europeans continue to defy the cynic label. The continent remains the most trusting of NGOs (57% percent of stakeholders trust them to do what’s right). Indeed, Amnesty International scores between 70% (UK) and 79% (Germany) across the continent, while Greenpeace and the World Wildlife Fund garner similar results. By contrast, Amnesty International, at just 47%, has the highest trust rating among NGOs in the US.

“Europe is a stakeholder society; America is a shareholder society,” says Brain. “In Europe, organizations are expected to engage in their communities and with stakeholders. The Greenpeaces and Amnesty Internationals of the world are a big part of that engagement tradition.”

Given its high trust of NGOs, it’s no surprise that Europeans look for corporations to be responsible, and engaging with local communities usually proves essential. Participating in activities deemed socially responsible, such as disaster relief, is a surefire way to up one’s credibility among stakeholders in Italy (85%), Spain (75%), and France (68%).

“There’s a bit of a ‘show me’ mentality,” Brain explains. “The quality of a company’s products and services, along with the attentiveness with which it treats customers, will always be essential, but those companies which are perceived as going the extra distance gain more trust than those who aren’t.”

When it comes to media sources, the French remain steadfastly loyal to their newspaper culture, with 39% of the country’s respondents saying that they turn to newspapers first for trustworthy information. The French also continue to distrust television news, with just 5% saying that the media provides trustworthy information.

Despite lacking a reputation as a technology hub and also being among the oldest group surveyed (average age was 41.8 years old), Italy demonstrates a surprisingly strong Internet media culture. Twenty-four percent of Italians turn to the Internet first for trustworthy information. The study also found that 22% of Italians find information posted on blogs to be “very credible” or “credible.” The Spanish also demonstrate a strong trust in the Internet, with 25% finding blogs to be trustworthy and 37% saying they share negative opinions of companies with others on the Web.

While it’s no secret that neither the Bush administration nor the war in Iraq is popular in Europe, stakeholders’ trust in US-headquartered firms has stabilized. They are more trusted in the UK (28% in 2004 versus 42% in 2006) and France (44% to 55%) than in years past, and are generally well regarded in both Italy (69%) and Spain (61%).

Asia

Three countries that share a region, but not the same standards of trust

South Korea, Japan, and China may share a hemisphere; however, they represent three distinct economies, cultures, and national identities. According to the Trust Barometer, 83% of Chinese stakeholders trust government to “do what is right,” compared with 41% in Japan and a mere 29% in South Korea. China also leads the way in trust in the media (73%, versus 41% in Japan and 49% in South Korea) and NGOs (60%/40%/39%).

“You can’t just say, ‘Asian countries trust the government’ or ‘Asian countries trust the media,’ because there are huge differences between the region’s countries,” says Alan VanderMolen, Edelman president, Asia Pacific.

South Korea

Over the past 40 years, South Korea has experienced remarkable economic growth, successfully integrating itself into the hi-tech global economy. The most recent edition of the Trust Barometer finds that South Korean trust in media (49%) and business (46%) is significantly higher than in government (29%) and NGOs (39%).

South Korea may be the world’s first truly broadband society, with more than 70% of its population having access to high-speed Internet connections, according to a recent Morgan Stanley report on global technology and Internet trends. This ubiquity of the Internet explains why media represent a trusted source of information. In fact, 26% of South Koreans turn to the Internet first, higher than television (22%) and the highest level across all geographies surveyed. And 61% of respondents report that they have shared opinions and experiences on the Web about a company they do not trust, compared with just 36% in the US, 22% in the UK, and 10% in Germany.

“South Korea is the leader of the rise of citizen journalism in Asia by a wide, wide margin. The younger generation has really embraced blogging,” says Robert Pickard, managing director of Edelman in Korea. “The media is seen not as the ‘voice of authority,’ but as the voice of the people challenging that authority.”

Overall, South Koreans trust the media more than their peers in every market except China and Brazil. As for their neighbors, 61% of South Korean stakeholders trust firms headquartered in Japan, while just 20% trust companies based in China.

Pickard says that trust can be earned – and lost – more quickly in South Korea than in other Asian markets. “Koreans are more trusting of a company that charges onto the scene and engages the market with a passion. In Japan, it’s one step at a time. They want to see tangible results and engagement over a sustained period of time.”

Asia (cont.)

Japan

Japanese trust in institutions has rebounded dramatically during the past 12 months, in sync with the nation's economic recovery and renewed optimism in the Land of the Rising Sun. The Barometer tracks a year-over-year spike in trust across most institutions: up 23% toward business (to 66% from 43%), up 10% toward media (from 31% to 41%), and up to 41% in government from 31%; while trust in NGOs is steady at 40%.

Despite the current wave of globalization, Japan remains as insular a society as its reputation would suggest. Only 30% of Japanese trust South Korean companies, and only 16% trust those headquartered in upstart China. South Korea's national champion, Samsung, which now rivals Japanese titan Sony in most markets around the globe, received a paltry 24% trust rating among Japanese.

"The attitude," notes Pickard, "is, 'Why should we buy your products and services when we have so many strong companies here?' Microsoft has had a hard time in Japan – especially with Xbox, which competes with Sony PlayStation, because they are not Japanese." Similarly, given national pride in Toyota, Ford and GM cars are rarely seen on the country's streets.

"Japanese people proudly regard their products and services as being of the highest quality in the world, which makes the barrier to entry into the world's second-largest economy higher for foreign

companies," Pickard says.

Japan did register a huge increase in trust in US-based companies, spiking to 80% from 58%. "With the worries about China, people view the US-Japan alliance as a key to stability," explains Pickard.



Alan VanderMolen

China

As China continues its growth trend, a strong sign of its integration into the global economy may be its rapidly increasing trust in multinational brands. The jump in credibility between the 2004 and 2006 Trust Barometers is dramatic for Citicorp (76% from 35%), Heinz (68% from 26%), and UPS (79% from 43%).

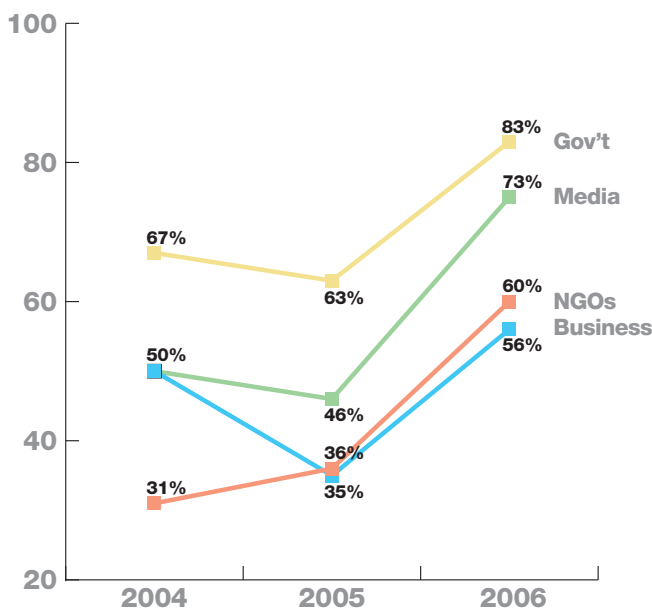
"In China, given the high expectations for performance of foreign companies, it's important that multinational companies operating there place equal emphasis on the three drivers of corporate reputation: delivering quality products/service, providing trusted leadership, and having social accountability," says Martin Alintuck, MD of Edelman China. "In addition, it's critical that multinational companies are seen as aligned with government priorities and/or having government support."

Chinese stakeholders lack trust in Japanese companies (35%). They think more highly of South Korean businesses (68%). This may be attributable to Samsung's high trustworthiness rating (82%, equal to that of Microsoft).

Despite CNOOC's and Haier's failed attempts to buy US-based businesses, Lenovo's acquisition of IBM's PC business could help its credibility abroad. According to the Trust Barometer, mistrust is highest toward Chinese companies seeking to acquire domestic firms. "I think many people will be carefully watching how China leverages the Lenovo acquisition of the IBM computer business as an important gauge of how Chinese companies more generally will expand globally," says Matthew Harrington, president of Edelman's US Eastern region.

Chinese trust in institutions

How much do you TRUST each institution to do what is right?



GLOBAL BRANDS REVERED

Trust in Western brands is certainly improving in China and Brazil:

- Leading global brands such as Coca-Cola, Unilever, Johnson & Johnson, HSBC, and McDonald's are highly regarded by more than 80% and 60% of opinion leaders in China and Brazil, respectively.
- Trust in Western companies and NGOs has increased dramatically in the past 12 months. In China, for instance:
 - Citicorp is up from 17% to 76%
 - Coca-Cola is up from 76% to 88%
 - Greenpeace from 46% to 78%
 - Nike from 63% to 81%

Brazil

The South American nation is among the world's most trusting

When reviewing the findings of the 2006 Edelman Trust Barometer, Ronald Mincheff, president of Edelman's São Paulo office, discovered some interesting trends among the Brazilian stakeholders surveyed.

"Brazilians want and will allow business to lead the way," Mincheff reports. The study demonstrates that Brazilians have quickly become the world's most demanding population with regards to expecting businesses to provide quality products and services, customer service, fair pricing, good employee relations, and involvement in social responsibility programs – all in the 90% range. Brazilians also trust business significantly more than any other institution.

He adds, "Brazilians are a very trusting people." One needn't look far for evidence to support this. With the exception of Chinese respondents, Brazilians are most trusting of the media (53%). With the exception of the Japanese, Brazilians are most trusting of business (62%). Mincheff attributes the high trust in business – which has hovered around 60% for three consecutive years – to a strengthening economy, bolstered by the country's lowest level of inflation in decades.

Mincheff cautions organizations operating in Brazil, however, not to take this trust for granted. "We may start out trusting everyone, but we expect companies to do the right things and do them transparently," he says. "If they don't, their credibility drops – and quickly." Consequences of mistrust in Brazil include protests (Brazil leads the world in protests at a staggering 61%), refusing to buy a company's products or services, refusing to do business with a company, and criticizing people Brazilians know at high global levels (from 62% to 81%).

As for Brazilians' trust of media, the Internet has seen the biggest jump in trust – 26% of Brazilians depend on it first for trustworthy information, up from 10% two years ago. Newspapers, industry-specific publications, and magazines also receive high marks. "Through the dictatorship that ran between 1964 and 1985, the military tried very hard to censor the media," Mincheff explains. "They earned trust by reporting news the way it was."

Edelman builds trust for leading Brazilian and multinational corporations by establishing their commitment and contribution to the country by communicating aggressively and transparently. For Boeing Commercial Airplanes, for example, Edelman manages a thought leadership program supporting the company's point-to-point aviation market strategy, which includes positioning the 787 Dreamliner.

Canada

When it comes to global business, the Maple Leaf is a trusted symbol

Companies headquartered in Canada receive the highest level of trust of any foreign companies operating in the US. However, respondents almost never named specific Canadian firms, mainly due to a lack of brand awareness abroad.

"Canadian companies [see] themselves as citizens of the world first, Canada second," explains Charles Fremes, president and CEO, Edelman Canada. "The question for expanding companies: Should they weave more national identity and pride into their reputations?"

For the second consecutive year, the percentage of Canadians who trust their government is in the mid-30s. "The federal sponsorship scandal, the accusations of improperly awarding ad contracts, and broken promises by other new governments have dominated headlines," says Fremes. "One of the new government's priorities must be re-establishing trust with Canadians."

“Successful multinational corporations in Canada recognize [that the nation] is not the same as the US.

Canadians demonstrate high levels of trust for NGOs (61%) and business (57%). Trust for global companies is also higher than in Europe and the US. "Successful multinational corporations operating in Canada recognize three things. First, Canada is not the same as the US. Second, Canadian opinion leaders see themselves as members of an increasingly pluralistic, diverse society. Third, Canadians are naturally trusting of business," says Fremes.

Media trust is relatively high at 45%. Trust in TV (down from 37% to 33%) and newspapers (29% to 22%) has fallen in favor of the Internet, which has risen to 17% from 14%. Similarly, 23% of Canadians trust blogs as a source of accurate corporate information. Only Spaniards (25%) and Koreans (40%) trust blogs more. Indeed, bloggers trail corporate CEOs in credibility by just 3% in Canada.

"Building trust [here] requires alliances with third-party spokespeople," Fremes notes. He points to Parmalat Canada, which emerged from a scandal (allegations of fraud in Italy) with its sales, market share, and employee morale intact. "Parmalat strengthened its governance with a blue-chip board of business leaders, engaged its employees as ambassadors, and continued its strong CSR to distance itself from the scandal," he adds.

Powering relationships

Trust is the backbone of stakeholder engagement

Why measure trust? What makes this dimension so important to organizations and corporations worldwide? Simply put, trust is the foundation of relationships between a company and its publics. Trust is a “price of entry” attribute – without it, companies will find it difficult or impossible to cultivate positive, productive relationships with key internal and external constituencies.

“A healthy trust relationship means that the constituencies with whom you’re interacting believe that you share interests, and are thus willing to cooperate with you,” says Dr. Jennifer Scott, president of StrategyOne, the research company that conducts the Trust Barometer studies. “That receptivity means that you are much better positioned to achieve your corporate goals.”

Citing Edelman client Unilever, Scott notes: “With the Dove ‘Real Beauty’ campaign, the company conducted exhaustive research to be sure that it heard the voice of women worldwide on beauty issues. It genuinely shares women’s concerns and aspirations about what beauty means, and in this way, it earns their trust.”

For this reason, trust is a key dimension on the Relationship Index, a research metric that Edelman applies to manage clients’ relationships with stakeholders. The metric – developed by Dr. Jim Gruning of the University of Maryland – measures corporate-public relationships across four dimensions: trust, satisfaction, commitment, and mutuality of control. (In other words, is a company allowing stakeholders to have their say?) These dimensions are

Without trust, things cost more, take more time, and exert more strain on an organization.

scored via a series of agree/disagree statements.

Scott cites trust as the most important of the four relationship components. “When there’s trust, stakeholders cooperate more eagerly,” Scott explains. “They challenge less. They tend not to ask for verification or look for other partners. With trust, things get done.” She points to situa-



tions like acquisitions and product launches, which are departures from the usual course of business. Without trust, such departures are likely to raise more than a few eyebrows.

“Without trust, things cost more, take more time, and exert more strain on an organization,” Scott continues. “Stakeholders will double-check every word you say before cooperating with you. They’ll make almost any task more ponderous and exhausting.”

Scott points to a pharmaceutical company worried about erosion of relationships with a core group of stakeholders: physicians and other allies in the medical world. “They wanted these people to be counselors to them in terms of drug development,” Scott notes. What the Index revealed was that the physicians didn’t trust that the company had the organizational strength to act appropriately upon their advice, so they cooperated less fully.

“The company never thought it had to communicate about business structure to create a trusting relationship,” she continues. “They thought they only had to mention drug pipelines and research.” Communications were promptly restructured to quell the medical allies’ fears about the company’s ability to follow through. “They restored trust,” Scott concludes, “and benefited significantly from the new relationship.”

METHODOLOGY

The 2006 Edelman Trust Barometer was fielded in October 2005. The study was a 25-minute telephone survey of opinion leaders (screened to be 35-64, have an annual income of over \$75,000 – or equivalent; college graduates; report being engaged in media, business, and public policy issues).

WorldOne Research managed the fielding in the following countries:

- 400 interviews in the US
- 200 interviews in China (Shanghai, Beijing, and Guangzhou only)

- 150 interviews each in the UK, Germany, France, Brazil, Japan, Canada, Italy, Spain, and South Korea

The margin of error is $\pm 4.9\%$ for the US sample; $\pm 3.6\%$ for the European sample; $\pm 6.9\%$ for the China sample (Shanghai, Beijing, and Guangzhou only); and $\pm 8.0\%$ for the UK, France, Germany, Canada, Japan, Brazil, Italy, Spain, and South Korea samples.

About Edelman

Edelman is the world's largest independent public relations firm, with 2,000 employees in 45 offices worldwide. *Advertising Age* recently named Edelman as the best PR firm in its 2005 "Best Agencies" issue, while *PRWeek* awarded the firm with its "Editors' Choice" distinction at the start of 2006. Edelman's network includes four specialty firms – Blue (advertising), First&42nd (management consulting), StrategyOne (research), and BioScience Communications (medical education and publishing) – making it possible to provide clients with a comprehensive spectrum of communications services. Visit us at www.edelman.com for more information.



