

THE BIGGEST **REPUTATIONAL RISK FACTORS** IN THE **TECHNOLOGY SECTOR**

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- The background of the entire page is a dark teal color with a subtle, geometric pattern of overlapping rectangular shapes. In the center, there is a collection of Apple products: an Apple Watch with a black band, a MacBook Pro laptop, and an iPhone. The products are rendered in a slightly desaturated, teal-tinted style, blending with the background. The Apple Watch is positioned in the upper left, the MacBook Pro is in the middle right, and the iPhone is in the lower right.
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SUMMARY

Over the last 15 years, the value of the technology sector has boomed, both in market capitalisation and importance to society. This has created both great opportunities and challenges for how tech brands communicate.

The amount that tech now dominates our daily lives means that brands in the sector are seen in a different way to other companies. This increases the risk of reputational damage for tech companies, as issues will affect a larger proportion of the population.

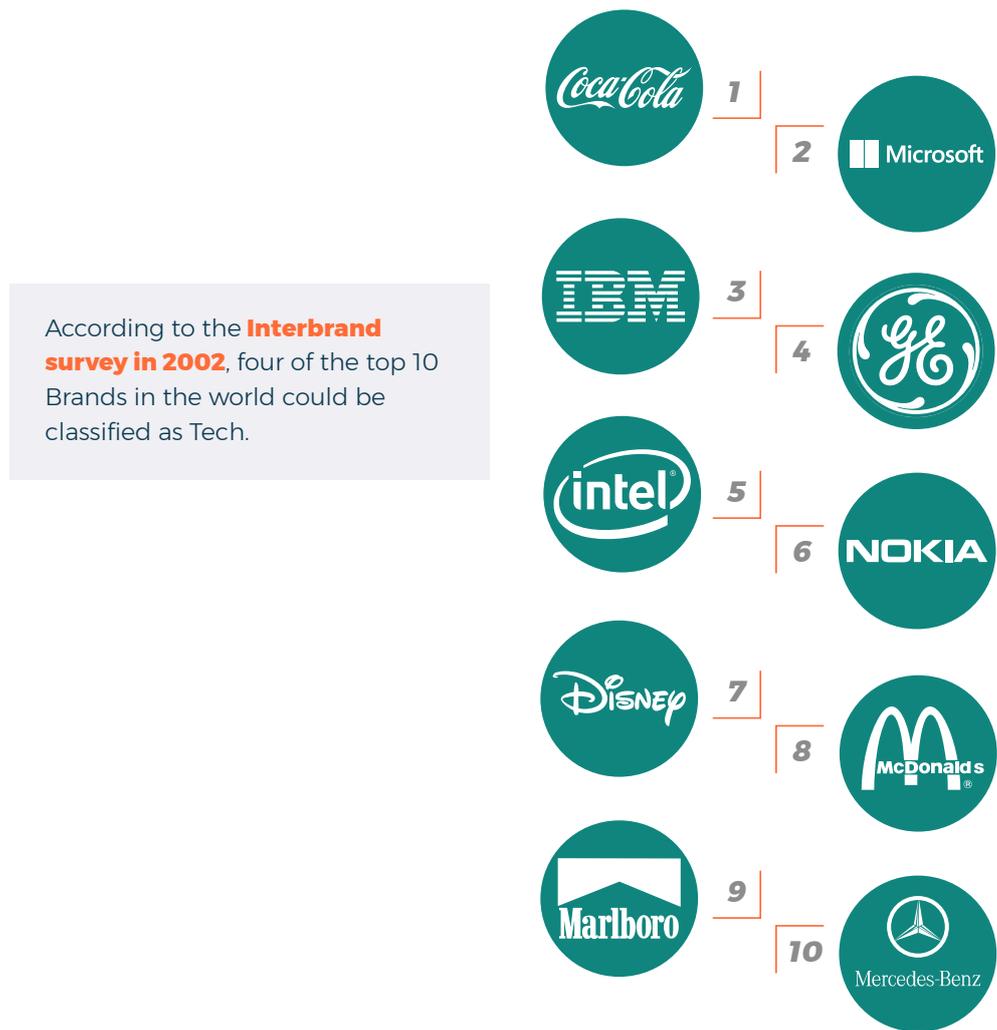
This white paper will use Cision's insights to analyse how tech brands should communicate their use of data, as well as the responsibility companies face when it comes to their impact upon society.

It will also examine public sentiment on tech companies' tax efficient practices and suggest ways in which companies can operate to minimise the possibility of taking a hit to their reputation which wipes millions off their value.

INTRODUCTION

15 years ago, if you wanted to talk with a friend it would be a case of picking up your phone (most likely a Nokia 3310). If you wanted to listen to music you would pick up your Sony Walkman. If you wanted to watch a film, you might turn on your Panasonic VHS player. Some of you might even jump on your Power Macintosh computer.

When heading off on holiday you might check into a Hilton hotel, probably getting a local taxi. And, when it came to the Christmas shopping you would visit the high street.

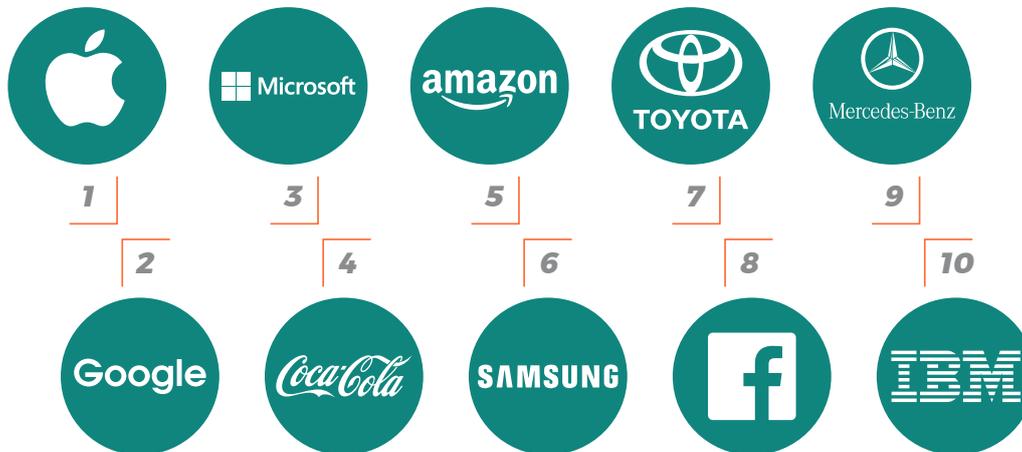


According to the **Interbrand survey in 2002**, four of the top 10 Brands in the world could be classified as Tech.

Fast forward to 2018, technology has transformed not only the way we digest entertainment, but it has also proliferated in all aspects of our life. To the extent that today's technology companies are the biggest, most powerful corporations in the world.

These days technology has taken over, you'd open up your mobile phone of choice, text someone on WhatsApp, watch something on Netflix, send some work emails. You'd also be able to book a holiday on Airbnb, using UBER to get your Taxi.

This trend is reflected in the most recent **Global Brands report**:



Four of the brands from 2002 remain, with four of the top five spaces occupied by tech companies, and seven of the top 10. This reflects how these big tech companies have impacted every aspect of our daily lives.

It is inarguable that tech has taken over. Some companies have evolved and existed for over 100 years, moving into technology. This is the case of corporations such as Nintendo (Founded in 1889) and Cision (Founded in 1867). Others are still in their infancy, for example UBER (Founded in 2009) and Airbnb (founded in 2008).

But not all tech companies have experienced continued growth since the .com bubble burst. Those of you born in the late 80s, will remember growing up with MySpace, listening to your music on Napster whilst also 'Asking Jeeves' for help with school work.

The same world that has delivered such success to these organisations can take it away. New upstarts could make them as irrelevant as they were 15 years ago. Or even worse, as irrelevant as MySpace is now.

The rest of this white paper will investigate the three big reputational risk trends affecting the tech sector over the past 12 months and how technology companies can use this data to arm themselves for the future.

You only need to look at the recent developments regarding Facebook and Cambridge Analytica, which saw more than \$50 billion wiped off Facebook's market capitalisation; in the weeks following the story, showing the impact a negative story can have on these companies.

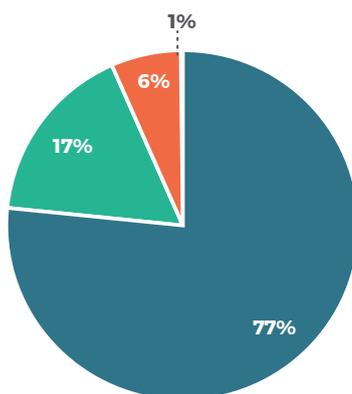
HOW TECH COMPANIES HAVE TAKEN ADVANTAGE OF THE DATA GOLD RUSH

In the 19th century, North America's history is marked with a series of gold rushes as explorers of the new world aimed to make money from the untapped riches they found.

These days data is the new hot commodity. In May 2017, *The Economist* published an article titled **"The world's most valuable resource is no longer oil, but data."** This is coupled with a report from **IBM revealing that we have produced 90% of all the data in the world in the last two years.**

Both articles chart the exponential increase in data, illustrating the new gold rush that modern tech companies seek to capitalise on. They can provide clients with insights and valuable services by harvesting as much data as possible. Furthermore, many platforms are able to monetise the data they have, either by selling it on to third parties or charging to enable detailed targeting of their customers.

However, harvesting and utilising this level of consumer data comes with obvious risks. It is increasingly difficult to ensure this data is being kept in a secure and compliant way.



WE ASKED:

How important do you think it is for tech companies to be transparent regarding the tracking and use of your data?

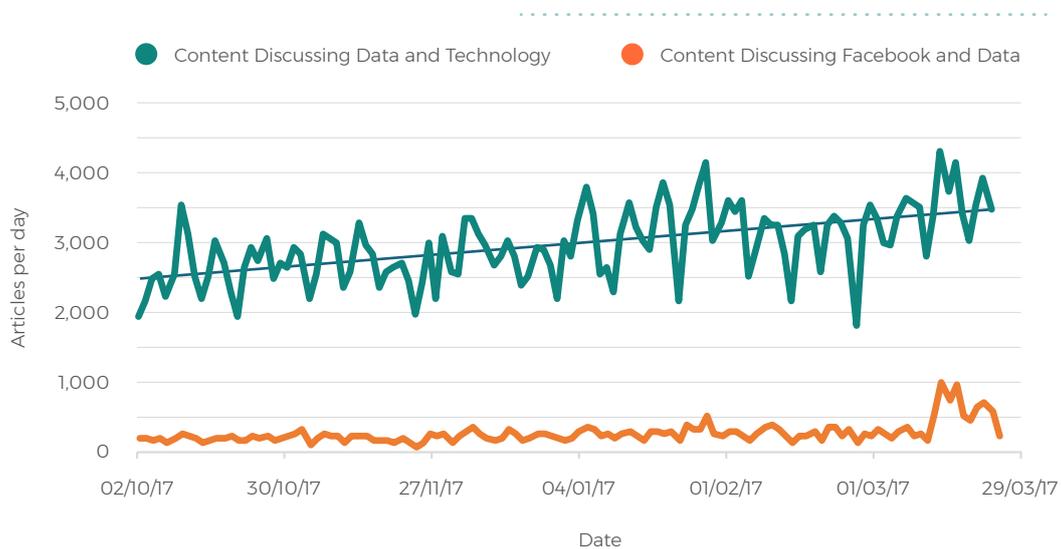
- Very important
- Somewhat important
- Neither important or unimportant
- Somewhat unimportant
- Very unimportant

KEY TAKEAWAY

Some **94%** of respondents said it is important, with fewer than **1%** stating that it was unimportant.

This provides a huge reputational risk factor, as the impact of the “Cambridge Analytica” story for Facebook shows. This generated over 40,000 articles in the week it broke, representing billions of opportunities to see it. Of this content, 95% was negative in tone.

You may think this story alone is responsible for the increase in discussion of data over the last six months, however, this is not the case.



KEY TAKEAWAY

Even without that story, there has been a **28%** increase in discussion of data and tech companies in the last **six months**.

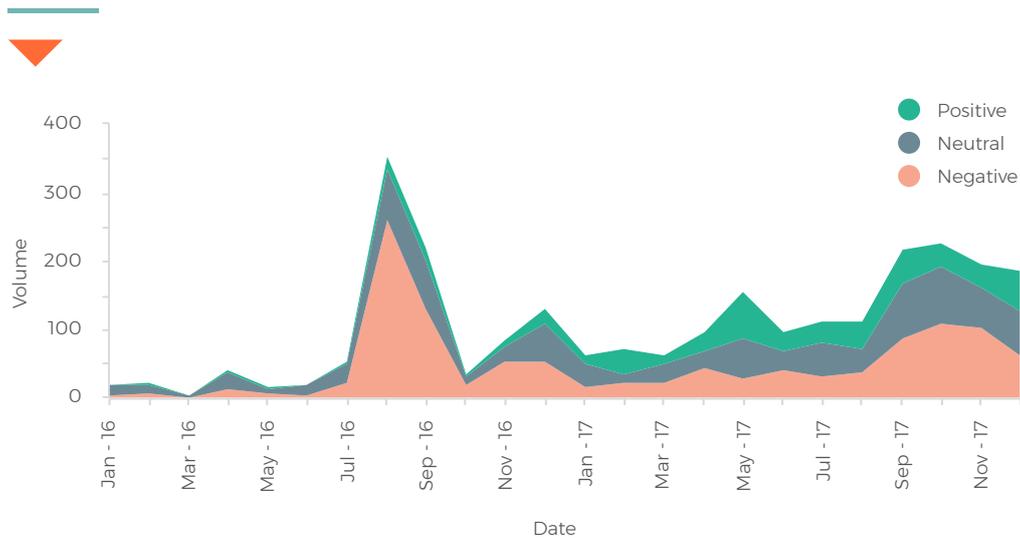
THE BACKLASH AGAINST TAX EFFICIENCY

The second prominent growing issue we have seen amongst these major companies is a desire for them to pay their way within society and contribute to the countries they operate within. This conversation began 18 months ago in August 2016, as the **European Commission ordered Apple to pay back the Irish State 13 billion Euros in taxes**. In December, 2017 Apple agreed to pay back Ireland.

A month prior to this was the release of the **Paradise Papers**, a detailed investigation carried out by the International Consortium of Investigative Journalists, which revealed tax avoidance practices by high worth individuals and corporations.

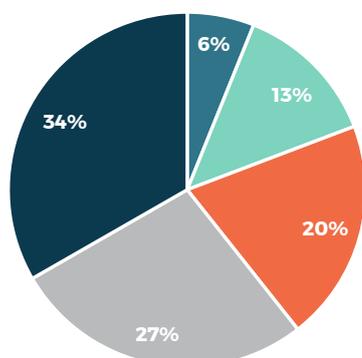
Take a step back and you can see the lasting impact these two stories have had on Apple and the negative sentiment associated with the topic of tax. Cision research shows that top global publications generated a high number of articles per month, with the majority negative in tone.

You can also see the effort Apple has invested to mitigate this negativity, as the amount of positive content in turn has increased.



What is interesting is how different countries have dealt with the issue of prompting large global companies to pay taxes. Margrethe Vestager, the EU commissioner for competition, has taken dramatic steps, fining major companies and most recently **threatening to break up Google** as a result of their market dominance. This is reflected by research showing that 61% of UK respondents don't believe large tech companies are paying enough tax in the territories in which they operate.

Across the Atlantic, Congress passed the 'Tax Cuts and Jobs Act' at the end of 2017, which saw the rate of corporation tax drop from 35% to 21%. Following this act, Apple announced it would be **contributing \$350 billion to the US economy over the next five years**, arguably leading to a higher effective corporation tax than in territories where the rate of corporation tax is higher.



WE ASKED:

Do you agree large technology companies are currently paying enough taxes in the territories in which they operate?

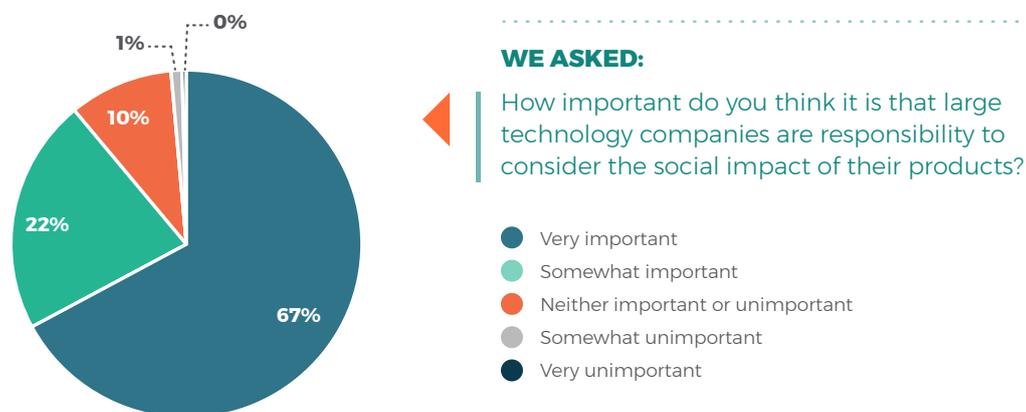
- Strongly Agree
- Slightly Agree
- Neither Agree or Disagree
- Slightly Disagree
- Strongly Disagree

KEY TAKEAWAY

For global companies reading the socio-economic **'mood music'** within different territories, as well as having localised messaging and comms, **is key**.

WITH GREAT POWER COMES GREAT RESPONSIBILITY

As tech giants grow their platforms, they are also under growing pressure to ensure platforms are being used responsibly and they are acting in a way that benefits society. Whether it is calls for Facebook **to be regulated** following the Cambridge Analytica scandal, Uber and its **treatment of drivers which operate the service** or Google's own employees **protesting against the company's involvement** in 'Project Maven', a directive aimed at using AI to improve the targeting of drone strikes.



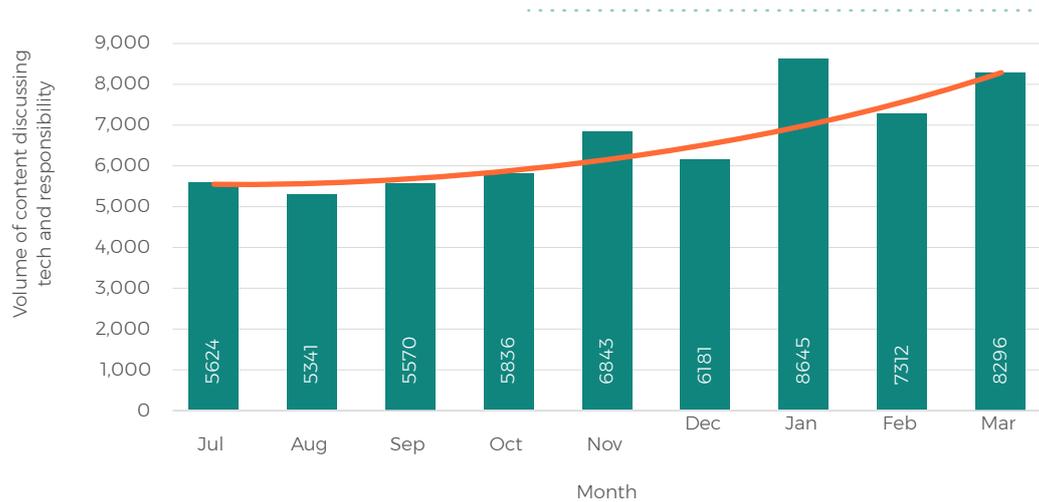
KEY TAKEAWAY

A sentiment agreed with by the public. Some **67%** of survey respondents reported that they felt it was very important for companies to consider the societal impact of their products.

For companies which have products infiltrating numerous aspects of our daily lives, it is clear organisations must think about the societal impact. Tech companies may not see themselves as political entities, but when products reach such high adoption rates that they can impact society as a whole, many will argue these companies have a responsibility beyond achieving the best results for shareholders.

As these cycles and many like them have broken, the message from the public has become increasingly clear: if these companies want to continue operating, they need to take responsibility for their working practices and platforms.

Gaming is a good proxy for this broader conversation. Some argue that **addiction to video games** and the **violent nature** of some, is negatively impacting young people. However, on the other side of this argument, Microsoft has created an **Education Edition of Minecraft**; a collaborative, innovative learning platform. While the platform is still in its early days, **research on the positive impact of the initiative looks promising**.



KEY TAKEAWAY

Mentions of responsibility with tech content have increased **49%** in the last **nine months**.

It is undeniable that the societal impact of technology has become a more prominent issue in the press, with a 48% increase in the volume of content around this topic between July 2017 and March 2018.

CONCLUSION

As more and more companies push into the 'tech' space, and as the companies in that space gain more power, their brand reputation becomes crucial. As you've seen, the impact large, negative stories can have to these large brands can be devastating, wiping millions off their value.

With that in mind, tech companies should take the following steps to ensure they avoid the reputational risks which have befallen some of the sector's behemoths:

- Ensure your organisation is compliant with all in market data and privacy regulations. It is imperative that companies and organisations are open with customers about how and when their data will be used and how that will impact the service they receive.
- Pay your way, invest in and communicate the long-term vision of the company. It is important as a company to stick to the regulations within the territories you operate within and be transparent about this. But, even more so, brand PR is more important than ever. Often the default reaction is to push product PR to try to sell more, but highly successful corporations, like the biggest companies in the Interbrand survey, tend to sell a vision instead. Corporate Social Responsibility can be a great way to position your brand.
- Understand the impact of your product, be principled, take risks. There is always a balance between not speaking out to avoid risking your company's value, but accepting that large tech companies do become machines that can drastically influence society. Taking up this mantle in a positive way will be imperative.

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