Keeping a bad reputation at bay

- Reputation index for the service sector

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Excerpts from the survey.

The full report is available to members of the Finnish Commerce Federation on the members' pages at Kauppa.fi, in the Research section.

The background of the reputation index for the service sector

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What is the reputation index needed for?

- Creating a dynamic service economy in Finland is difficult if people don't appreciate services. The reputation index for the service sector helps the lines of business included in the index identify any reputation problems relevant to their field, enabling them to work on improving the situation.

- Reputation can be based on outdated information or fixed preconceptions not based on actual knowledge. The weaker the basis for a sector's reputation, the more easily it can be damaged by a piece of news, a social media controversy or other rumours.

  - When a sector has a good reputation, it can help companies compete for skilled workers.
  - A good reputation can also help with lobbying for the sector's interests.

- Companies play a key role in the building of their own reputation, but also that of their sector. Because a sector's reputation can contribute to or weaken a company's reputation-related efforts, companies benefit from knowing the strengths and weaknesses of their sector.

- The reputation index for the service sector was first carried out two years ago in autumn 2017.

How was the reputation index created?

- The reputation index was designed in cooperation between **Lasse Mitronen**, Professor of Practice at Aalto University, **Jaana Kurjenoja**, Chief Economist at the Finnish Commerce Federation, and various experts from the Finnish Commerce Federation.

  - The reputation index is part of the cooperation between the Finnish Commerce Federation and Lasse Mitronen, Professor of Practice at Aalto University. Mitronen participates in creating and defining the research design. He has access to the material for research and teaching purposes.

- The reputation index covers six sectors of business that offer consumer services. These fields have been selected so that all have direct customer contacts with consumers, ensuring consumers are familiar with the fields, have formed an impression of them and may even have first-hand experience. There are large companies operating in each field, making it easy to understand the field of business through these companies.

  - The services covered by the reputation index are the following: private health care, banking and finance, retail trade (grocery stores, department stores and specialty goods trade), restaurants and cafes, rail transport and air travel.

- The paper and engineering industries – in other words, the traditional backbone of the Finnish economy – and the food production industry operating at the consumer interface were selected as the baseline for comparison.

  - The paper and engineering industries need not be explained to survey respondents, as these industries have been discussed as the backbone of economy for decades and presented as such, for example in school books. Furthermore, the food production industry is close to consumers, with well-known Finnish companies operating in this field.

How was the reputation index created?

- The reputation index consists of five areas and 10 separate questions (the questionnaire form is included as an appendix):

  - Economic and social responsibility (taxes, investments and employment).
  - Environmental responsibility (current operations and efforts to improve environmental responsibility).
  - Employer responsibility (equal treatment of employees, leadership and management).
  - Partner responsibility (treatment of partners, subcontractors, suppliers, service providers and client companies). Please note! The previous survey had a question on customer responsibility for consumer services. This time that question was replaced by the section on partner responsibility, making the question same for both consumer services and the industrial sector.
  - Responsibility for the development of operations (developing new products and services and pursuing new customer segments and markets).

- The sectors came available for answering the 10 questions in a varying order. In other words, same sectors didn't start or finish the questionnaire.

How was the reputation index created?

- The questions were built to provide information on the respondents' views, experiences and impressions of the aforementioned topics, not their knowledge of them.
  - For each question, each sector of business received a rating between one and five: 5 = very good, 1 = very bad.
- In addition, the respondents rated their attitudes regarding their own responsibility and consumption.
  - The respondents gave a rating between one and five in regard to how much they agree with a statement: 5 = agree completely – 1 = disagree completely.
- A sub-index was created for each question so that the highest and lowest ratings (5 and 1) were weighted by the factor one, and the mildly positive and negative (4 and 2) ratings were weighted by the factor 0.5. The value of the index is between 100 and -100.
- The indices on the respondents' attitudes towards their own consumption and responsibility were created similarly.
- Kantar TNS collected the consumer data through an online panel.
  - The survey was targeted at a total of 3,000 people in Finland between the ages of 18 and 79.
  - The survey was carried out in April 2019.
- The Finnish Commerce Federation is responsible for the index calculations and the analysis and interpretation of results.

Comparing the results of the 2017 and 2019 reputation indices

- With the exception of partner responsibility, the reputation index of 2019 is identical to the previous one. For consumer services, the section on customer responsibility was replaced by partner responsibility, which was already rated for the industrial sector in 2017.
  - This change decreased the results of the partner responsibility index and affects the overall values of the reputation index, especially regarding consumer services.
- The survey was carried out similarly and around the same time as two years ago. However, this time the survey coincided with the preparation for the general elections.
  - The healthcare and social welfare reform and the role and responsibility of private health care were among the discussed election topics. The results on private health care clearly reflect these election discussions.
  - Environment-related topics were very prominent in media during the spring.
  - Other popular topics of conversation and news included the suspected money laundering of certain banks, the Kemi pulp mill project and the status of agricultural producers.

- Simply comparing individual sectors' index figures to the previous results isn't worthwhile. The changes in these index figures most likely reflect the topics and the atmosphere of public debate from the time the survey was conducted (cf. the general elections). However, big changes in index figures are certainly interesting and may illustrate changes in a sector's reputation.
- Examining the changes in sector rankings and comparing them to average figures as well as reviewing the changes in these averages is essential.

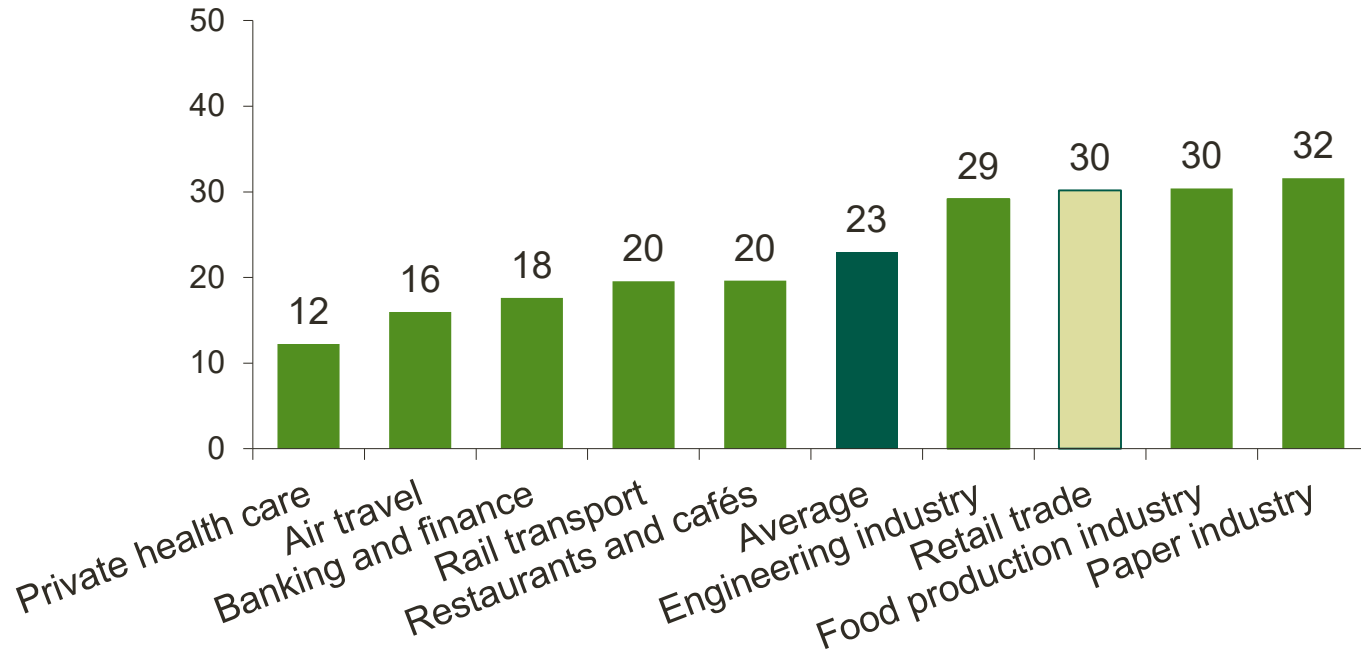# Reputation index for the service sector: results

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The reputation of consumer services is worse than the industrial sector's – except for commerce

The reputation index, all areas in total
an average calculated from the indices for 10 separate questions

Category	Value
Private health care	12
Air travel	16
Banking and finance	18
Rail transport	20
Restaurants and cafés	20
Average	23
Engineering industry	29
Retail trade	30
Food production industry	30
Paper industry	32

Millennials appreciate commerce

The reputation index, all areas in total, 18 to 35 years
an average calculated from the indices for 10 separate questions

Women

Category	Value
Air travel	13
Private health care	19
Engineering industry	19
Rail transport	20
Banking and finance	20
Paper industry	23
Restaurants and cafés	23
Food industry	28
Retail trade	30

Men

Category	Value
Air travel	13
Private health care	14
Rail transport	14
Restaurants and cafés	17
Banking and finance	19
Food industry	23
Retail trade	23
Engineering industry	23
Paper industry	23

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General index 2019

- The general index hasn't significantly changed since 2017. Two years ago the average of all sectors and separate questions was 25. This year it was 23.
  - The biggest change concerned the ranking of private health care. Two years ago the sector's reputation index was near the average of all sectors. This year it was ranked last.
  - This drop in reputation was most evident in the ratings of consumers older than 50. This previously second most appreciated consumer service sector has become least appreciated. This drop is visible in all areas of the reputation index.
  - The retail trade ranked almost exactly as previously, being the only service sector with a reputation that is level with industries and significantly better than the average rating.
- Consumers aged under 60 think that the retail trade and food production industry have the best reputation out of all sectors. Consumers aged 60 or older appreciate traditional industries – the paper and engineering industries – the most.
  - Men and women provided different results. Women aged under 60 rated the retail trade and food production industry significantly higher than the other sectors. 60-year-old and older women appreciate the paper industry the most, other industries and the retail trade coming close behind.
  - Men aged under 60 rate all three of the industries and commerce equally. 60-year-old and older men clearly gave the highest score to the paper industry, which was followed by the engineering industry, food production industry and retail trade.

Consumers' attitudes towards responsibility and consumption
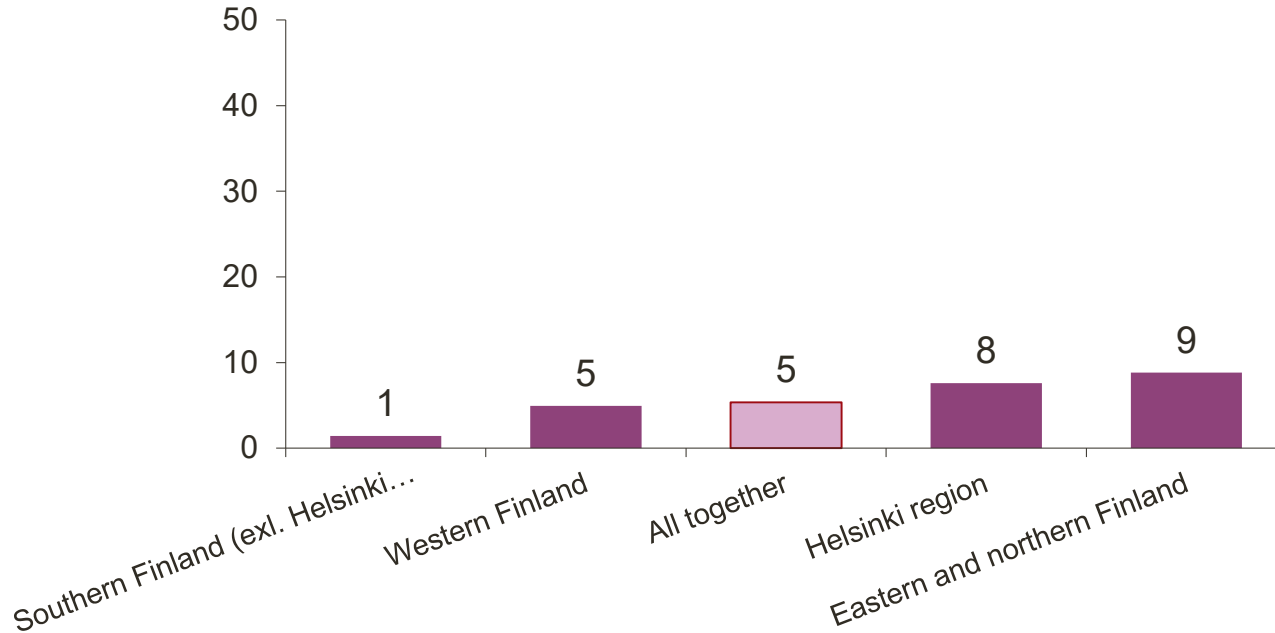
Excerpts from the survey.

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How were attitudes towards responsibility and consumption measured and why?

- The consumers' own responsibility was also surveyed to counterbalance the surveyed responsibility of business operations. This part of the survey was conducted with statements on attitudes and behaviour.
    - These statements were used to reveal the mindset of consumers. For instance, consumers' mindset for environmental actions may be greater than their current buying behaviour suggests. This mindset could possibly manifest as concrete actions in the near future, for example, when a consumer's income level increases or their family situation changes.
    - The commerce sector must understand consumers' intentions and attitudes, not just their current behaviour.
    - The respondents gave a rating between one and five in regard to how much they agree with a statement: 5 = agree completely – 1 = disagree completely.

- A sub-index was created for each question so that the highest and lowest ratings (5 and 1) were weighted by the factor one, and the mildly positive and negative (4 and 2) ratings were weighted by the factor 0.5. The value of the index is between 100 and -100.

- Kantar TNS collected the consumer data through an online panel.

    - The survey was targeted at a total of 3,000 people in Finland between the ages of 18 and 79.
    - The survey was carried out in April 2019.

- The Finnish Commerce Federation is responsible for the formulation of survey questions, index calculations, and the analysis and interpretation of results.
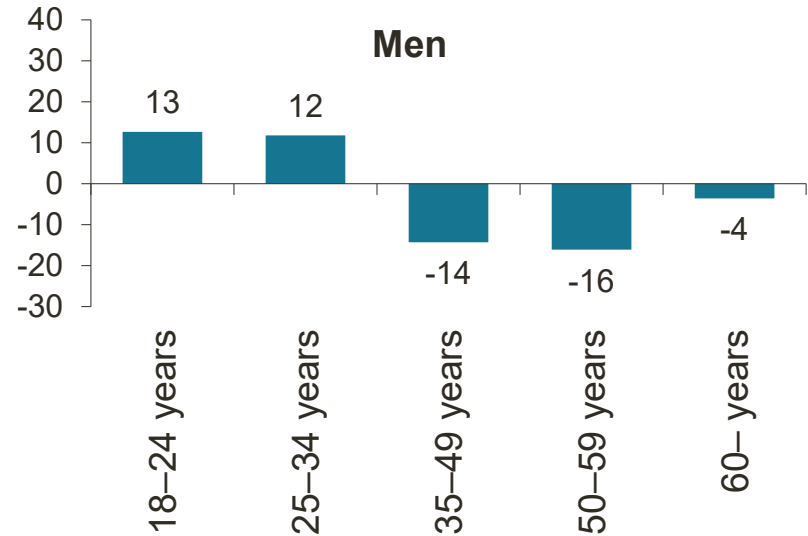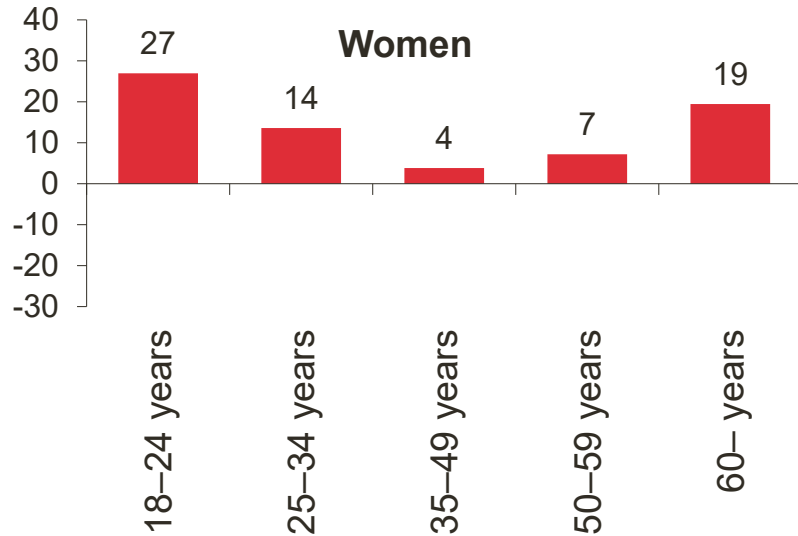
**The environmental effects of shopping do not
have a lot of influence over where people prefer to shop – <u>yet</u>**

I consider the environmental effects of my shopping and they direct where I shop (e.g. product range, online store's country of location, carbon footprint of transportation or store's environment and responsibility programme)

Southern Finland (exl. Helsinki…	1
Western Finland	5
All together	5
Helsinki region	8
Eastern and northern Finland	9

Generation Z is most concerned about the environment even though price is one of its most important selection criteria

I consider the environmental effects of my shopping and they direct where I shop (e.g. product range, online store's country of location, carbon footprint of transportation or store's environment and responsibility programme)

Women

Age group	Value
18–24 years	27
25–34 years	14
35–49 years	4
50–59 years	7
60– years	19

Men

Age group	Value
18–24 years	13
25–34 years	12
35–49 years	-14
50–59 years	-16
60– years	-4

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