



THE PRICE AND THE VALUE OF IMAGE

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Abstract. Nowadays image is a fashionable concept broadly used in business as well as in politics. This trend encourages us to look for methods and possibilities to calculate the value and the price of image. Because the “formula of image” does not exist, direct calculation of the price of image is not possible. Such a situation leads us to an analysis of brand names, attempts to calculate the price of image in daily life as well as in crisis situations, and the investigation of the price paid for the lease of a corporate name. The Reputation Institute gives special attention to the methods of calculation of the reputation quotient. This practice is valuable for the analysis of image-making. From the author’s point of view, at present the most important problem is that invoices for image-making are paid through media assets. Today the largest part of media expenses is covered not by media users, but by advertisers and the so-called image-makers. Such a situation only highlights the conflicts between business and public interests in the media. Invoices for image-making are transformed into invoices for the fairness of the media and paid not only by image-makers or their customers, but also by the entire society.

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Reikšminiai žodžiai: įvaizdis, žiniasklaida, viešieji ryšiai, reputacijos koeficientas.

Introduction

The concept of image has become an inseparable component of contemporary politics and one of the leading factors in determining the success of corporate business. Given the importance of its role in today’s society, it is no wonder that advertising and public relations professionals successfully exploit image in order to achieve their goals. Deeply rooted in everyday life, image continues to attract the attention of theorists in a variety of fields, including communication, management, marketing, sociology, and psychology. In Lithuania, several attempts have been made to investigate different models of image creation using the experience of Western investigators. The relationship between image and reputation has also been extensively discussed (Drūteikienė, 2002, 2004). The exploration of a complex concept or phe-

nomenon usually brings forth a clash of opinions, and the concept of image is not an exception. As some works by Lithuanian researchers emphasize, “the image does not establish itself; its creation is a continuous, planned, and determined process requiring effort and material resources” (Nugaraitė, 1999: 9). Other publications claim that “public relations can not and do not attempt to create a positive image of an organization or business, since that is impossible; the image is what it is” (Čereška, 2004: 97). Such divergent evaluations of image are primarily influenced by the harsh reality. As the field of public relations has become an aggressive, persuasive business, more and more efforts are put to justify the activities of these companies and boost their presumed value. It is even claimed that image-makers are allmighty powers and that every other business should

seek to invest large resources into creating their own image.

This article attempts to show the price of image and its creation. Image can be viewed as a commodity sold by skilful public relations specialists, yet the primary emphasis of the article is not on the financial resources invested into advertising or public relations. The aim is to draw one's attention to what the society can get as well as what it may lose as a consequence of the image-creation process and the earnest practice of image-creators.

The so-called image-makers like to emphasize that a good image has a high price. However, it should be remembered that not only the ones who want to portray themselves in a positive light pay the price of an image. Active creation of image has a hidden price that ends up being paid by everyone. Moreover, the evaluation of the efforts of image-makers should not be restricted to the monetary scale only, since oftentimes money is not the most important facet of the price of image.

1. Attempts to Measure the Value of Image

So far, neither scientific nor popular literature contains a formula that could be used to determine the price or value of image, and it would be overly optimistic to assume that such a calculation method will become reality in the near future. This part of the article outlines several aspects that would possibly be incorporated into the formula to measure the value of image, if it existed.

First of all, endeavours to evaluate the brand should be discussed. Claims that Coca Cola is the most expensive brand in the world (worth approximately U.S.\$ 70 bn) and that the Microsoft brand ranks second (U.S.\$ 65 bn) simply portray the peculiarities of the world of advertising and only partially aid in determining the real value of image. Competitions of the most famous brands often resemble beauty contests; the final line-up of winners is of the greatest importance primarily to public relations specialists and advertising agencies. For some agencies this is an opportunity to celebrate and be proud of their achievements, for others it is a sign to encourage their clients to invest more into image creation.

Attempts to calculate the price of image can be extended to the everyday life dimension. How much is one or another person ready to invest into his or her own personal image? Here the calculations of image price can be divided into two categories: the one includes prestigious and branded products, and the other consists of mainstream, "no-name" items.

The categorization proves to be difficult and often leads to a deadlock, as it requires an analysis and evaluation of the price and quality of products and services. For example, a used "prestigious" and a new "non-prestigious" car may cost the same amount of money, yet the drivers of the vehicles will have substantially different views on the importance of image and will disagree on the amount of resources that should be invested into the creation of a solid image. Furthermore, how do we measure the value of purchasing the same product in an ordinary store and in an exclusive boutique, as well as the "spiritual comfort" gained through the shopping experience?

Perhaps a clearer and more specific price of image would emerge in unordinary, extreme situations. As a part of their research into the issue of reputation, Ch. J. Fombrun and C. B. M. Van Riel took several examples of large international corporations that have suffered a crisis and computed how these crises influenced the business' market value. As an example, the contamination of the popular medication Tylenol in 1982 cost its manufacturer, Johnson & Johnson, U.S.\$ 1 bn, i.e. 14% of the market value. In 1989 the oil spill in Alaska's Prince William Sound reduced the oil giant Exxon's market value by 5%, i.e. U.S.\$ 3 bn. In 1995 the computer-chip manufacturer Intel's shares lost 5% of their value in only two weeks following the disclosure of a bug in one of the company's products. Fombrun and Van Riel state that losses in a company's reputation should be incorporated into the calculation of the damage caused by a crisis (Fombrun, Van Riel, 2004: 34). Therefore, image can be seen as an element that provides insurance to a company with a good name, helps business to cope with temporary difficulties and perhaps even aids in surviving a major crisis. This reasoning does not apply to all regions, though. Lithuanian financial market is rather underdeveloped, so it is doubtful whether financial indicators can be reliably used to calculate the value of a company's image or reputation.

Fombrun and Van Riel's examples demonstrate that even in extreme situations when a company's market value drops it is difficult to talk about more precise calculations of image value or about image as a percentage of the business' price on the market. It would seem reasonable to link the value of the image as an insurance element to the type of industry a company belongs to. Given the stable demand for products of the companies of the natural resources exploitation industry, one should expect that the images of such companies are the least influenced by a crisis. The images of businesses directly related to manufacturing are moderately affected by catastro-

phes, while companies providing services or intellectual products are the most vulnerable to scandals, and the relatively high importance of the human factor in their business and sales processes causes the greatest damage to the image and reputation. Currently, the service industry is undergoing a global expansion at the expense of the shrinking manufacturing sector, so it is reasonable to assume that the portion and the importance of “image capital” will continue to increase.

It should not be overlooked that a crisis usually introduces facets that serve to “heat up” the situation. For example, organizations for environmental protection usually react in a more severe manner than the general public and usually succeed in sharpening a crisis. Also, a more drastic reaction should be expected when the issue of discussion is related to health care. Such “heating factors” obviously increase the society’s vulnerability and raise the hypothetical price of the image.

The practice of brand-name leasing widely known in the Western world can be used in the computation of the value of image. The brand-name leasing system allows a producer to use another company’s name on a commission basis, i.e. usually 8-14% of the forecasted sales volume. If one were to compare these numbers with the image price that becomes apparent in the context of a crisis (such as in the abovementioned examples), it would be observed that the upper price ranges are approximately equal. Meanwhile the minimum brand-name leasing price (8%) is a little higher than the image value observable during a crisis (5%). Once again, such differences can be attributed to the specific nature of different sectors and industries. Business dealing with natural resources rarely lease out their names; this practice is more frequent in the manufacturing industry, and even more often observed in the services sector.

2. Dimensions of the Reputation Quotient

The Reputation Institute (www.reputationinstitute.com) has made significant contributions to the studies of the crucial influence of reputation on image. The Reputation Institute (RI) is a private research and consulting agency, founded in 1997 by Dr. Charles Fombrun, a former professor of management at NYU’s Stern School of Business and by Dr. Cees van Riel, a professor at the Erasmus University Rotterdam. Today RI has offices or associates in about thirty different countries including the U.S., the United Kingdom, France, Italy, the Netherlands,

Denmark, Australia, and Brazil. The company specializes in corporate reputation management, measurement, evaluation, and the creation of management principles. Back in 1999, in collaboration with Harris Interactive, the RI created a methodology for the computation of the so-called Reputation Quotient, which became a popular and universal indicator allowing a measurable comparison in the area of reputation. Reports prepared by the RI are published by some of the most influential newspapers in the business world, including “The Wall Street Journal”, “The Financial Times”, and “Handelsblatt”.

A company’s Reputation Quotient (RQ) is computed by quantitatively evaluating twenty indicators, which are classified into six dimensions: emotional appeal, products and services, workplace environment, financial activities, vision and management, and social responsibility. It is apparent that the RQ does not intend to become a complete or partially universal formula for the computation of the image value. However, its methodology is useful in the assessment of the image creation process, helps to detect the areas which image-makers should pay more attention to, and suggests ways to diversify the image creators’ activities.

The RI does not disclose the methodology of computing the RQ, yet it must be noted that in the calculation process various dimensions are weighted differently. One should not forget that the methods and tools used to deal with each of the reputation dimensions might vary. There are no strict boundaries between the most important techniques of image creation and reputation formation (i.e. marketing communication, advertising, public relations). Yet these different techniques seem to have established their own bounds; image-makers seeking to create an attractive product or service usually rely on marketing, and emotional appeal is commonly achieved through advertising. Meanwhile, the merits of a work environment, financial activities, vision, management, and social responsibility are most effectively disclosed through public relations.

It is obvious that the implementation of these various organizational and technical tools require different financial resources; therefore, it is complicated to determine their actual value.

Marketing invoices are directly related to the distribution of goods or services; although they may be closely intertwined with direct manufacturing costs, the informational influence of marketing is rather limited. It rarely crosses the boundaries of consumerism and, as a rule, does not influence politics or the broader society.

Advertising expenses are easier to be quantified since they provide less room for hiding unjustified costs. However, the dissemination of advertising is very much related to the functionality of the tools for information dispersal in the society. This aspect reveals the potential influence of the mass media on the society. A successful realization of this potential can significantly affect not only the media, but also the entire society.

Compared to the advertising budget, expenses for public relations are incredibly low. According to "The Economist", in 2005 companies in the United States spent only U.S.\$ 3.7 bn on public relations, whereas the value of the advertising market was U.S.\$ 475 bn. However, it is the public relations sector that has the closest formal and informal ties to the mass media system and holds the greatest and best-kept secrets of invoices for the creation of reputation and image.

The renowned pioneer of market positioning techniques, Al Ries (2004), says that nowadays we witness the fall of advertising and the rise of public relations. The effectiveness of public relations and their relatively small costs create the conditions for the formation of a hidden price of image. This hidden value is not always tangible; the price often expands beyond the traditional means of financing image making and impacts more global processes in society. In such a setting it becomes even less possible to create a universal formula (or at least a formula that could be applied to one specific case) to measure the price of image. The assumption that for the creation of one's image a subject pays not only public relations specialist and image-makers, but also the mass media, narrows the concept of the image price by limiting it to the small costs of that particular segment. On the other hand, the same assumption expands the understanding of the purpose of the image price and shows that not only the image-makers' clients have to pay for the image-creation services. Through the mass media, the society is often indirectly billed for image-making activities.

3. Mass Media Bills

Traditionally it is depicted that the mass media bills image-makers only directly, through invoices for advertisements and commercials. Everything else, i.e. good relations with journalists, the influence of business groups on mass media employees or the content of the message, remains in the "grey zone" which is seldom discussed in public.

At first glance, nothing seems wrong with this communication business, and it seems normal that

the mass media wants to be reimbursed for publishing and for providing commercial services. Yet payment is also expected from the users of the published information, i.e. from the readers and viewers. In the classical communication scheme at least three elements are required for message transmission: the information source, the media channel, and the information receiver. It is apparent that the mass media uses its privileged status (the link between the source and the receiver) and is tempted to demand "commissions" from both sides of the communication process. The distribution of these "commissions" for communication services (in other words, identification of the payers of certain invoices issued by the mass media) can partly aid in determining the price of image creation.

A short overview of media history provides additional insights into the issue under investigation. Publishers of the first newspapers and magazines were able to finance their businesses and make profits through their audience. In other words, their activities were funded by the readers' need to receive information and news. At first, revenue from advertisements and commercials was a secondary source of income, yet gradually its financial importance began to grow. A major turning point was reached with the introduction of electronic media channels. The radio and, more importantly, the television began to rely on the "purchased audience" principle. A television show became only a tool to attract viewers to the screen and then sell the audience to suppliers of commercials (Jamieson, Campbell, 1983: 108). This is how a modern media system based on complicated and not transparent payments was created. In this system the information user continued to pay the same amount of money to the media (e.g. for the creation of a TV show), yet that money was collected not directly, but through commercials.

Although commercial television is perhaps the best example of the transformation of the mass media billing systems, similar changes are taking place in the printed press business. In Western Europe and in North America local newspapers get 80% of their revenues from advertising (The Economist, 2005), and Lithuanian newspapers are likely to get close to that ratio. "15 minučių", the free local newspaper launched in 2005, proves that the business model used by electronic media (i.e. transferring bills from consumers to advertisers) can be successfully adopted by the printed press.

The changes in the billing system of the mass media reveal a new tendency: a newspaper can survive without a reader, and a TV show without a viewer, as more importance is laid on sponsors and

advertisers than on the audience. The previously healthy balance between the information source and the information receiver is becoming distorted and the information source side may eventually prevail. Reduction or even disappearance of information consumer fees is not only an economic phenomenon and a redistribution of the media's funding sources. It is quite likely that consumers are ready to pay in order to satisfy their hunger for information and gain access to objective and current news. However, it is doubtful whether advertisers would be ready to pay the bills for the society's ability to use the free press.

The redistribution of the payers financing the goods and services offered by the mass media mostly satisfies the needs of image-makers; advertisers (offering direct and hidden advertising) become the real mass media clients who can obtain the right to dictate trends. These are global tendencies that mature, democratic countries have little to worry about. In an ideal case, this situation can be compared to a peculiar agreement in the society; since democracy creates optimal conditions for corporate business, and since free press is an important condition for a functioning democracy, the business sector should consider it useful and even lucrative to cover most of the mass media expenses without requiring unconditional compliance in return. This mass media financing scheme can even be regarded as a sort of charity, without forgetting, of course, that the mass media itself is a very profitable business. Many Western countries implement effective mechanisms for the self-control of the mass media, thus helping to retain the independence and autonomy of information sources.

A similar redistribution of mass media funding sources in young democracies, such as Lithuania, that have only recently freed themselves from totalitarian systems, can take on a rather sinister form. In Lithuania the media still has a high trust of the society (although this trust is diminishing). The society tends to overstate the importance of media messages and is unlikely to recognize and admit the existence of a "communications game". So far, one can only discuss certain negative tendencies in the Lithuanian media, which are yet more emphasized by the redistribution in the media financing.

One of the key problems of contemporary Lithuanian media is commercialism, and the transfer of fees for information services from the reader or viewer to the advertiser would only highlight the negative aspects of this phenomenon. Owners of media agencies who seek instant profits find the possibility to make the same (or even larger) amount of money

with less investment very appealing. Such businessmen do not always understand the peculiarities of the media business and its importance in shaping the society; income from advertisers becomes a player in the barter exchange, and the money from hidden advertising often flows into the so-called grey market.

The Lithuanian market of information services currently concentrates on building clusters of media companies (examples include "Respublika", "Lietuvos rytas"), and companies like "Achema", "MG Baltic" gain more power and attention, although their primary business has little to do with the mass media. New media owners entering the market only shed new light on the problem of media's dependence on commercial and political interests. Traditional media owners, who usually are former journalists themselves, also use their influence when solving corporate and domestic problems; the new generation of owners (large corporations) has much broader and deeper interests, and the redistribution of costs in the media business is of great importance and use for them. In such a context the issue of hidden advertising becomes even more relevant, if the client is not satisfied with classified advertisements and separately purchases newspaper articles, radio or television shows, or pays for his or her own participation in a television broadcast. The positive side of the issue is that a large part (66.3%) of the Lithuanian population claims to be able to identify hidden advertising, purchased articles in the press and broadcasts on television (Reklamos tyrimai, 2008).

The redistribution of media financing sources in Lithuania negatively influences the sensitive issue of the mass media quality and prevents the development of the so-called qualitative media in the country. When the primary interest of the media is to satisfy the needs of its clients and business partners, it is not surprising that the majority of the media sources seem to resemble the nature of the yellow press.

Generalizations

In the media there is usually an inner conflict between entrepreneurship and the public mission. Image-makers have lately been becoming more influential and able to encourage the society's information tools to strive for higher profits; such actions only highlight the problem discussed in this article. The media become unable to resist the temptations of corporate business, what, together with the civil atrophy, is one of the most negative outcomes of the image-makers' intensifying activities. It could be reasonably argued that the belief (or at least the persuasion) that the image and its creation are expensive

items has become not only an economic, but also a societal factor that influences the media's capacity to carry out its social functions and ensure high quality (McQuail, 1994: 79). The price of image creation will have the bitterest effect on the essential responsibilities of the media, common to the so-called serious journalism. These include informing the society, i.e. presenting the news on events and social processes in the local society and in the world, disclosing political matters, encouraging progress and maintaining relationships, describing and clarifying issues and events, commenting and interpreting them. Moreover, the media are responsible for socialization, for maintaining the norms of acknowledged authorities and leaders, for coordinating separate activities, and for building reconciliation and consensus while determining priorities. Lastly, the media should ensure continuity (in the areas of cultural expression, recognition of subcultures, and cultural development) and not only form but also maintain shared values. Meanwhile, secondary functions of the media, such as entertainment, which are especially common to the yellow press, are unaffected by image-creation processes.

At first glance it may seem that the essence of the image creation value does not differ from determining the price of any other good or service: in order to determine it one would have to analyze its components, evaluate the costs, and estimate the market demand. The course of such a process could tempt one to fall for the illusion that the price for image creation is paid only by those desiring to have a good image. However, an image (reputation or a good name) can be sold to the society only in the presence of the ones responsible for spreading news

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ĮVAIZDŽIO KAINA IR VERTĖ

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Santrauka. Šiandienos versle ir politikoje išsisknijusi įvaizdžio mada verčia kelti klausimą, kaip būtų galima objektyviai apskaičiuoti įvaizdžio vertę ir kokią kainą galima mokėti už įvaizdžio kūrimą. Vargu ar realu svajoti apie kokią nors „įvaizdžio kainos formulę“, tad straipsnyje apžvelgiami bandymai įkainoti prekės ženklą, skaičiuoti įvaizdžio vertę buitinėje plotmėje, ekstremaliose situacijose bei vadinamoji „vardo nuomos“ praktika. Atskirai aptariama Reputacijos instituto sukurta vadinamojo reputacijos koeficiento skaičiavimo metodika, kuri galėtų būti naudojama vertinant įvaizdžio kūrėjų pastangas. Daugiausiai dėmesio skiriama tam, ką vadintume visuomenės sąskaitomis už įvaizdžio kūrimą, kurias tenka mokėti per žiniasklaidą. Šiandien vis didesnę visuomenės informavimo priemonių išlaidų dalį padengia ne informacijos vartotojai, bet reklamos teikėjai ir vadinamieji įvaizdžio kūrėjai. Tai dar labiau išryškina vidinius žiniasklaidos prieštaravimus tarp verslumo ir visuomeninės pilietinės misijos. Sąskaitos už įvaizdžio kūrimą tampa sąskaitomis už žiniasklaidos principingumą, kurias jau turi apmokėti ne tik (ir ne tiek) patys įvaizdžio kūrėjai ar jų užsakovai, bet visa visuomenė.

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