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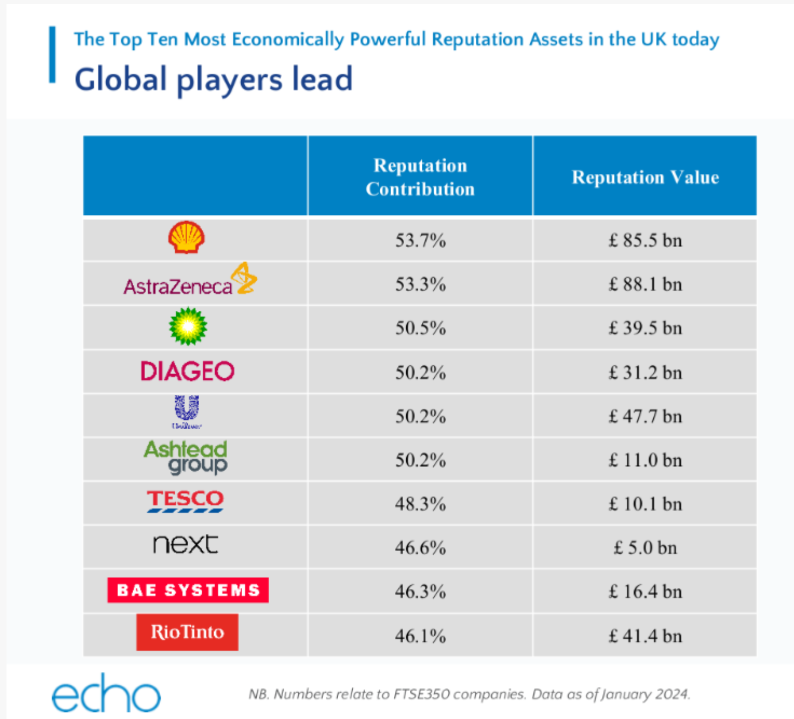
Corporate Reputation Drives 30% of FTSE Market Value; ESG Goes Negative for Many

New Report Highlights Corporate Reputation as a Key Contributor to Market Capitalisation and Shareholder Confidence


The Top Ten Most Economically Powerful Reputation Assets in the UK today

Global players lead

	Reputation Contribution	Reputation Value
	53.7%	£ 85.5 bn
AstraZeneca	53.3%	£ 88.1 bn
	50.5%	£ 39.5 bn
DIAGEO	50.2%	£ 31.2 bn
	50.2%	£ 47.7 bn
Ashtead group	50.2%	£ 11.0 bn
TESCO	48.3%	£ 10.1 bn
next	46.6%	£ 5.0 bn
BAE SYSTEMS	46.3%	£ 16.4 bn
RioTinto	46.1%	£ 41.4 bn

echo

NB. Numbers relate to FTSE350 companies. Data as of January 2024.

Top 10 UK Firms by Reputation Contribution

LONDON, UNITED KINGDOM, October 17, 2024 /EINPresswire.com/ -- A new report reveals that corporate reputation continues to play a critical role in the valuation of FTSE 350 companies, with reputation accounting for 30% of their total market capitalisation in 2024. Echo Research's Reputation Dividend 2024 Report finds that despite political change and economic headwinds, reputation remains a stabilising force, contributing an estimated £719 billion to the market value of UK firms. This marks a 3.8% increase from the previous year, emphasising the enduring importance of reputation in shaping shareholder confidence and driving long-term business success.

The report underscores the vital role reputation plays in navigating the complex landscape of 2024, particularly for leading companies in the energy and healthcare sectors. Firms like Shell, AstraZeneca, BP, Diageo, and Unilever continue to lead the pack, with over half of their market value driven by the confidence inspired by their corporate reputations. Industrial group Ashtead, retailers Tesco and Next, BAE Systems, and Rio Tinto round out the top ten.

Key Insights:

Reputation's Market Influence: Reputation accounts for 30% of market capitalisation across FTSE 350 companies, equating to £719 billion, up by 3.8% compared to 2023.
Stability in Uncertainty: Amid political and economic changes, corporate reputation provides a crucial buffer, instilling confidence among investors and mitigating market volatility.
Top Performers: Shell, AstraZeneca, BP, Diageo and Unilever derive over half of their market

> Reputation serves as a stabilising force for investors, providing assurance and bolstering long-term value in a period of uncertainty."
>
> *Sandra MacLeod, Echo Research CEO*

value from the strength of their corporate reputations.
Sectoral Differences: Energy and healthcare firms see the highest reputation-driven contributions to their market value, while sectors like telecoms and real estate experience lesser reputational uplift.
Environment, Social and Governance (ESG) goes negative as investors view it as a compliance/risk cost rather than value driver.

Echo Research's CEO and Expert Witness on Reputation, Sandra Macleod said: "Against the backdrop of the current political and economic environment, reputation has emerged as a vital asset. It serves as a stabilising force for investors, providing assurance and bolstering long-term value in a period of uncertainty. Companies that demonstrate strong leadership, strategic foresight, and resilience are best positioned to maintain investor confidence. Investors are increasingly prioritising companies with strong leadership capable of navigating challenges and seizing opportunities. In particular, long-term value potential, quality of products and services, financial soundness, and quality of management are cited as the most influential drivers of corporate reputation. For the first time, ESG factors are deemed net 'value destroyers' for many companies as investors weigh up the cost of compliance and risk assessment."

Economic Impact and Sector Variations

While the economic impact of reputation is significant across the board, it varies by industry. The energy and healthcare sectors see some of the highest contributions to market cap from reputation, with figures reaching 40% above traditional financial metrics. In contrast, telecoms and real estate firms show more modest contributions, at 21% and 12%, respectively.

Notably, 93% of the FTSE companies studied saw their stock values bolstered by their reputations, accounting for £719 billion of market capitalisation. However, 6% experienced a decline in market value, collectively losing £4.6 billion due to negative reputations, underscoring the risks of poor reputation management.

The report highlights the Britvic and Carlsberg merger as an example of how reputation plays a critical role in corporate strategy. Both companies hold significant reputational capital, with Carlsberg slightly ahead at 38% compared to Britvic's 35%. As they integrate, their combined reputational assets could create a powerful synergy, provided that their reputational management aligns with operational and financial strategies. The report estimates that effective reputation management could add £872 million to the combined market cap, whereas mismanagement could result in a loss of up to £2.1 billion.

With data-backed insights across the FTSE, offering a comprehensive look at the critical role of reputation in today's market landscape, the report finds that firms that strategically manage and enhance their reputations, focusing on long-term value, and leadership, will be better positioned to navigate uncertainties and achieve sustainable growth.

The full report is freely available to download here:
https://www.echoresearch.com/media/xyabelzb/uk-2024-reputation-value-report.pdf

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