

>> **Ecuador and its challenges in relation to the management of corporate and institutional reputation**

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In terms of communication, Ecuadorian companies and institutions have been characterized for being traditional. This is, mainly, to refer to advertising and brand presence by means of mass and orthodox media. The results, in quantitative terms, have been positive in general since brands' consumers have been used to receive messages through those channels.

However, consumers have become more demanding nowadays. They ask from companies and brands for more creativity, innovation, closeness, connection to their interests... For example, Brandshare, a consumer survey by Edelman, points out that an overwhelming majority of consumers from eight countries surveyed (United States, United Kingdom, Canada, France, Germany, Brazil, India and China) expect that companies share their brands efficiently, this is to say, 90 % require brands to help them achieve their personal goals. According to the report, the fact that a product is more or less participatory is one of the key factors at the time of purchase.

In addition to this, it is worth mentioning that not only the usual buyer of a product or service is the one who requires interaction with the brand but other stakeholders on which a large share of the reputation of a company or institution is based. Thus, for example, the implementation of Corporate Social Responsibility programs is increasing because, both the public and private sectors face the challenge of creating closer ties with the communities in which they act in order

to achieve the economic, environmental and social balance enabling them to operate in harmony. Therefore, the *Study on Social Responsibility of Companies in Ecuador 2012* notes that 51% of the country's companies have implemented some CSR practice in the last years, 80% of which did it in the last decade.

To this situation the new rules at the policy-making level are added. The food sector, for example, is facing new limitations on promoting their products after the adoption of the Reglamento Sanitario de Etiquetado de Alimentos Procesados para el Consumo Humano (Health Regulations of Processed Foods Labeling for Human Consumption) which, among others, include the ban on using children or animals as an image of products or "using logos, certifications and/or marks of associations, companies, foundations, federations and professional groups, which are related to the quality and composition of the product", which has been a more or less recurring practice in the country so that brands validate the research or the quality of food, in this case.

Within this framework, the Organic Communication Law which entered into force in June 2013 also obliges companies and public and private institutions to stop and think of different mechanisms for the relationships with their stakeholders, even more when traditional media—in the last months—are being less accessible to disseminate information through the so called free press both because they need to strengthen the business through advertising and because of their exposure to receiving claims, complaints and fines, for example, due to possible misunderstandings that may arise among journalistic and advertising contents.

Media should "refrain from disseminating advertorials as if it were information material" and "clearly distinguish between information material, editorial material and commercial or advertising material". Article 10, section 4, paragraphs d and g of the Organic Communication Law.

HOW HAVE COMPANIES IN ECUADOR COMMUNICATED WITH THEIR STAKEHOLDERS?

Historically, communication has not been one of the cards on which companies bet the management of their reputation. The budget investment aimed at the promotion and positioning of brands has been based on marketing and advertising plans. At communicational level, instead, actions have been restricted to the production of *free press* which, although it contributes to generating visibility and credibility in brands



and firms, faces some refusals of the media interested in selling advertising: if the brand wants to appear, it must pay. In the country, the annual total turnover for advertising accounts for USD 400 million.

Moreover, Ecuador is facing a particular situation regarding the press: there are no specialized media in generating and disseminating business-like contents, an aspect, however, that has been already overcome in neighboring countries like Colombia and Peru. And it is precisely for this reason that companies find it difficult to connect with their stakeholders through channels like television, newspapers, magazines, radio...whose editorial objective is focused on political contents, corruption, crime sections...And media insist that audiences require this kind of information even though this is what makes them targets of criticism, rejection and accusation from the Government.

Along this line, recognized by media managers and executives, the challenge of journalism continues to be finding and publishing news related to political and governmental activity, putting aside the challenge of going beyond the supposed informative interest of the audiences towards the actual utility the press may mean for the public. It is then when companies must look for paths, which communication specialists have already found, to influence their stakeholders. The leverage in the digital revolution, for example, is part of this: nowadays people read more because they are connected all day to search engines, social networks, webs, blogs...

And although advertising continues (and will continue) to be the keystone for the promotion and positioning of Ecuadorian corporations, the effort to generate credibility among the stakeholders and achieve closeness to them, obliges to strengthen proposals and strategies based, above all, on the construction of contents indicating in a subtle and even implicit manner the presence and support of the brand. Thinking of the newspapers' headlines and the opening advertisements of news programs carrying the name of the brand (with no conflicts involved) is a utopia which can be overcome by showing an understanding of the consumers' expectations and needs, thus linking it to the article 8 of the Organic Communication Law which stipulates that traditional media must disseminate "*contents of informative, educational and cultural nature in a prevalent way*".

THE ORGANIC COMMUNICATION LAW

The Organic Communication Law was approved by the National Assembly in 2013 after four years of being strongly criticized by the media, opinion leaders and the political opposition. This regulation is defined as a "media law" since most of its contents are aimed at controlling the work of the press and the journalists. It is worth noting that the articles "do not regulate the information or opinion personally broadcasted via the internet" (article 4).

However, the law incorporates the obligation of the media to disseminate information or opinion based on verification, opportunity, contextualization and contrast parameters; in addition to the subsequent exercise of responsibility once the contents have been published. After this, and in case the press and the journalists commit errors, this gives way to the right to reply and to rectification that benefits the parties concerned and, only in case of recidivism, monetary fines will

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be imposed, for example, equivalent to 10% of the average turnover of the three months prior to the commission of the infraction.

In this context, the media have undertaken the task of paying more attention to the contents they broadcast and even to the research they carry out to avoid the imposition of penalties. Thus, for example, the so called leak of information to the media is an almost impossible practice since journalists set limits to the sources whereas, before, in the search of a scoop they were ready to publish data, figures, versions...of only one of the parties involved to check it later.

Nowadays, instead, it should be ensured that the news story itself includes the testimony of all parties.

In addition to this, there is, according to the journalist Janeth Hinostroza, the little or no access to official (governmental) sources in order to gather information. Upon a request from the media, the institutions state that they should refer to the websites but data are not always complete or are not always comprehensible without the explanation by an expert. In the face of this background that would seem gloomy, the option for the media is to be creative and lead their audiences to receive contents exceeding the limits of the political or economic situation.

Data handled by the media show that the information about sports and entertainment is the most consulted one by the audience, followed by themes regarding ecology and technology. Then, although, on the one hand, the media could face certain restrictions in order to develop their traditional contents, on the other hand, the Organic Communication Law must set them a challenge to innovate, enjoy and reinvent themselves. And that is where companies and institutions have the opportunity to align with what in the future will have to be the media, broadcasting information closer to the audiences and also to create their own channels of communication and interaction with their audiences aiming at determining the thematic agenda.

Thus, public institutions, private companies and the media should work together for the benefit of the audiences at informative and educational level generating and positioning contents which could provide value to the everyday life of the public regardless of the mentions of brands, since that is why advertising still exists and their possibility to develop with a law (of communication) also addressed at producing advertisements in Ecuador and with Ecuadorian staff, and stopping importing them as the country has been accustomed to do.

It would be understood that the objective is to make the national advertising industry whose annual investment reaches USD 400 million grow, whereas in other Latin American countries this figure is exceeded by a large margin. Argentina, for example, only in the first quarter of 2013 closed the investment in advertising at USD 913.29 million and Colombia, at USD 257.7 million. In regional terms, according to Nielsen, the advertising investment in the American continent grew by 12% only between January and March 2013 and Latin America is expected to be one of the areas where advertising investment will grow the fastest, from USD 34 billion registered in 2012 to USD 51 billion at the end of 2016.

SOURCES OF INFORMATION AND THEIR CHALLENGES FACING STAKEHOLDERS

Ecuadorian companies and institutions, which have traditionally been accustomed to using the *free press* as

one of the main alternatives for media positioning and for diffusion of relevant information for their stakeholders also face new challenges from the entry into force of the Organic Communication Law but, above all, from the adaptations that the press is carrying out in the exercise of their profession without this implying to dismiss the mass media as a channel to be nourished with relevant contents that connect with the audiences' everyday life and expectations.

However, the communication scenario must be extended in the search of alternatives starting a direct conversation with stakeholders based on, for example, relationships strategies and plans to consolidate the face-to-face interaction; or on the basis of the creation of digital channels through which the corporation or institution could manage a dialogue agenda which, on the one hand, could be used to share contents of self-interest and of interest for their audiences and, on the other hand, could allow them to monitor what is being said of themselves on the basis of the interactions of third parties. This means, to control the conversation and to post positive messages in a proactive manner.

In this line, a wide range of possibilities emerges which seek the creativity of the companies' communication directors and/or reputation managers. Both the search for appropriate channels and the generation of timely and necessary information are key pieces to build solid and sustainable relationships with the stakeholders. This can be summed up like this: understand and contrast two elements: What do I want them to know about me? What do they want to know about me? And this is achieved by means of a good understanding of the audiences and the structuring of messages combining both needs.

HOW TO ACHIEVE SYNERGIES BETWEEN THE COMPANY'S REPUTATION AND THE STAKEHOLDERS' EXPECTATIONS?

In the last years, LLORENTE & CUENCA has been analyzing the path the companies are taking or the one they could take to manage their reputation. Thus, for example, it has been observed that the business model of the 20th century, which responded to a single income account (the economic-financial one) is proving to be insufficient because the corporate reputation does no longer depend only on the companies' shareholders or investors but other stakeholders have been added and they want to be involved in the business's vision, mission, strategy and practices based on a quintuple income account: economic-financial, environmental, human talent, ethical and social¹.

At this path, and with the communication objectives established, it is essential to start with the construction of the Map of Stakeholders classifying them according to the relation or the response that each group has regarding the company or institution. The reputation model developed by LLORENTE & CUENCA makes a division of the stakeholders into: a) rebels, b) allies, c) dubious and d) collaborators, in order to adopt, on this basis, strategic guidelines addressed at deactivating and aligning the first ones; mobilizing and promoting the loyalty of the second ones; deactivating the third ones; and neutralizing, protecting and raising the profile of the fourth ones. It is necessary to know who belong to each sphere and which are the perceptions and expressions they have regarding the firm.

After being clear about this first picture, it is then essential to identify the communication tools that will be used in order to

"We have to be the ones to react, the citizens, the ones to start a campaign on Twitter, by phone, messages in the street ... not to buy the corrupt press and hopefully these businesses will stop being profitable. And to buy The Telegraph (state)"
Rafael Correa, President of the Republic. May 2012

reach each audience and achieve those objectives of protection, deactivation, mobilization...This starts with the construction of a reputational report that, among others, is underpinned by attributes associated with the experience or value chain either because they already exist or because they should be improved or created to support the reputation management.

After this, the strategic objectives for each stakeholder are defined and the process of customized relation and connection for each group is designed, which can be developed by means of the media and with the specifications and opportunities previously reviewed,

or by means of direct dialogue strategies. But there are also the channels on the Internet that are leading, for example, the corporations' CEOs to develop a digital identity on which the main corporate values leverage and are identified and could also be used to show and connect the firms with their human faces.

On the other hand, there also exists the *brand journalism* where Coca Cola is positioned as one of the pioneering companies. Through their websites and social networks there are concepts and topics which, without being external to the brand, connect with the information needs of the consumers in areas like nutrition, music, recipes, etc., thus encouraging the users' interaction and participation with the products of The Coca Cola Company.

And this is strengthened when, according to comScore, online market research company, Internet is increasingly growing (an average rate of 12%) in Latin American countries rather than in other regions of the world. Ecuador is not oblivious to this reality. According to figures of the Instituto Nacional de Estadísticas y Censos (INEC) there is a 35% rate of Internet penetration in the country (only at household level, without including the production sector), which means 5.2 million users (against the 15 million inhabitants). Although this figure is below the regional average (43%), it is aligned with the global reality which accounts for an Internet penetration rate of 35%.

In short, the connection alternatives of the public or private organizations with their stakeholders starts in the audiences' knowledge and results in the creation of channels and tools including corporations and institutions in the conversation about topics relating to the business but also relating to users or consumers. As we all know, the face-to-face communication will hardly be replaced by information technologies, but television and Internet add to this as the first and second preferred media by the audiences, respectively, according to a study carried out in Ecuador by Informe Confidencial, market research firm, and by Fundamedios.

IN SUMMARY...

- The dynamics of communication and reputation management is changing, not only due to the advances in technology but to the tendencies that stakeholders of companies and institutions experience and to the regulatory situations that are determined in some countries, like in the case of Ecuador. The organizations' challenge is, now that communication and reputation have become key elements in business management, to adapt

¹ Cachinero, Jorge. "Por fin, la reputación ya está aquí". Innovación y Reputación. ("Finally, reputation is here". Innovation and Reputation.) LLORENTE & CUENCA 2011.

channels and messages to the natural innovations required by the stakeholders on the basis of knowing, analyzing and classifying them according to the type of relationship they have regarding the firms and their brands.

- The Government, users and consumers, non-governmental organizations, suppliers...are looking for creativity within the communication of the corporate values and the products and services so that they connect with their needs and everyday life. And this is no longer framed only within advertising but also in the interaction and proximity the brands create. This, as never before, is influencing the purchasing decision and the “vertical influencers” of a product or service, this means: nowadays brands are not only mentioned thanks to their history or their milestones in the market but thanks to their experience. And who has had a good experience shares information about it (Facebook’s case, for example).
- The traditional media still play an important role for the mass communication of achievements, experiences, innovations, influence of organizations. However, they also

face some challenges such as the competition with the new information technologies and their duty to adapt to them; the need to leverage from advertising profitability in order to be sustained; working for the diversity and quality of the contents they offer to the audiences because of the regulatory provisions as well as the demand of their audiences. In the face of this challenge, which is explicit, is where companies and brands must find the opportunity to generate value contents that the audiences require to receive via the press.

- It should be considered that the brands’ and organizations’ reputation management cannot be restricted to the visibility given by the media. The corporations’ challenge is, besides generating valuable information, to find appropriate and customized challenges for the stakeholders which give way to the effective positioning of these contents and at the same time are used so that audiences feedback the companies directly on their experiences and their perceptions about the work they do. This means that the dialogue must be strengthened more than ever.



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