

# Thrift is out, quality is in

## Media switch from price to quality



Following the New Economy crash, there was a phase of low growth and salary stagnation in Germany. Along with growing energy costs and the introduction of the Euro, Germans became more and more price conscious. In company coverage, the advertising slogan “Geiz ist geil” (cheap is sexy) turned into the new guiding theme of a consumer-oriented business journalism. Now there are signs of a turnaround. The analysis of media coverage on companies, industry sectors and managers from January 2001 to December 2006 shows that attention to the companies’ prices or price policies is going down. Parallel to this, coverage of product quality and self-experiments, the so-called mystery shopping, are on the rise. For companies this means that it is a perfect time to highlight customer relations and product quality in their communication.

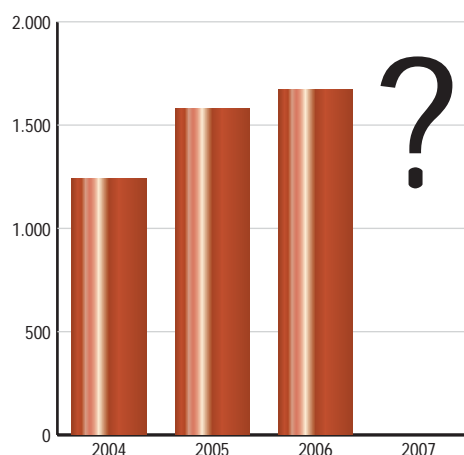
On May 30th, 2007, the **Handelsblatt** published an interview with the new CEO of Media Saturn, Roland Weise. He was asked whether or not the company would stick to its slogan “Geiz ist geil” (cheap is sexy). His answer: “With ‘Geiz ist geil’ we have reached a point where we should start thinking about something else.” Many journalists took this as an acknowledgement that one of the best-known advertising slogans in Germany had outlived its usefulness. What is behind this?

MEDIA TENOR noticed in previous analyses that the opinion-leading media’s interest in the inflation rate had gone down significantly, while their attention to the pricing policies of individual companies and industries had gone up (MT 138, MT 143). **Chart 2** now shows that this trend had reached its provisional peak in 2004. The awareness of pricing (without considering energy prices), that is, for instance, the offers by cheap airlines and telecommunications companies, has receded since then.

### Product quality fills coverage gap

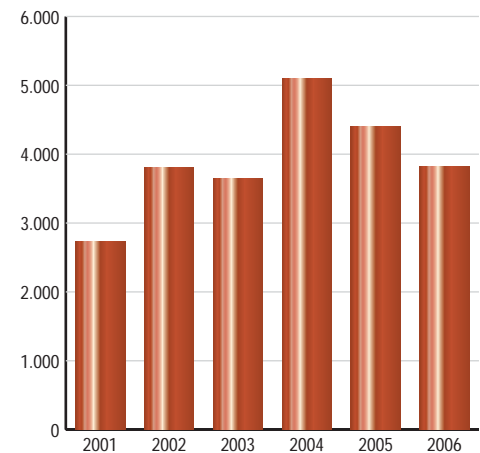
Decreasing interest in a particular issue will obviously not lead to blank spots in the papers. Yet what is the follow-up on reports about cheap prices? In principle, many topics are possible. If news value is defined by novelty, then the phenomenal stock market boom since the beginning of 2005 (the DAX has risen from about 4,200 to almost 8,000 points) could be a hot candidate for more attention. The opposite is

### 1) Passages on companies/industries on the topic of product quality



Number of passages  
Basis: 1240/1578/1671 passages on companies and managers in 13 media outlets  
Time period: 2004 - 2006

### 2) Passages on companies/industries on the topic of prices/pricing policy



Number of passages  
Basis: 2738/3802/3652/5103/4401/3817 passages on companies and managers in 13 media outlets, Time period: 2001 - 2006

the case: Stocks and shareholder value topics made up 2.7% of coverage in 2004, but only 2.0% in the first five months of 2007.

Instead, speculation over takeovers and breakups has become the primary focus of media coverage: The share of business strategy-related issues has climbed from 22.1% in 2003 to 25.2% at the latest. The attention to product-related topics (product descriptions, prices, marketing, quality), however, did not suffer: Their share has been between 14 and 14.8% since 2003. The media focus has therefore only shifted within the reporting on products.

### Product quality supersedes coverage on prices

Some of the price reporting has been replaced by the portrayal of product quality (**chart 2**): Passages with a focus on this issue increased from 1,240 passages in 2004 to 1,671 passages in 2006. Those news stories go far beyond recalls in the automobile industry or hazardous electric appliances produced in China that are sold at discount supermarkets. A detailed analysis by industry sectors from the beginning of 2004 until May 2005 shows that the automobile industry takes centre stage, followed by the IT/electronics sector, the media, airline and railway companies, retailing, foodstuffs and tourism (**chart 3**). Other industries have been less present in the past three-and-a-half-years, for example financial service providers, health services or industrial builders.

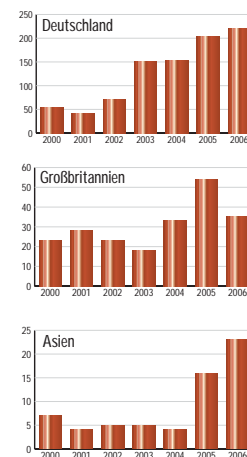
From the media consumers' perspective it is dif-

icult to understand why everyday topics such as product quality in health services are only rarely taken up by the coverage in the politics and business sections of leading daily newspapers, TV news and weeklies. Instead, the issue is often – in the context of singular cases – outsourced to political TV magazines such as **Wiso** or **Plusminus**.

### Industries at risk

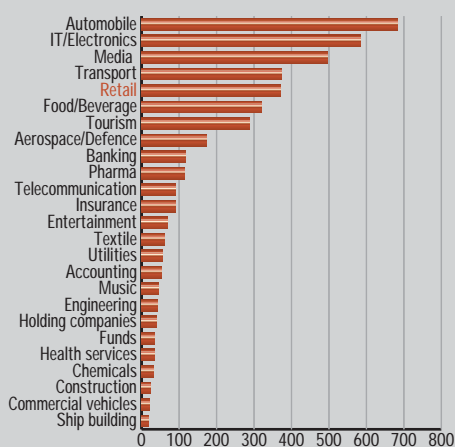
All told, the trend in coverage on product quality does not necessarily mean a threat for companies. While in 2003, there was still a 17.7% overhang of negative news stories and the image between 2004 and 2006 was at best balanced, the overhang of positive assessments reached 17.9% in the first five months of this year.

Yet there are a few industries that the media covered almost exclusively in a critical context. Among the 25 most frequently mentioned industries, accountants and consultants had the worst image (**chart 4**). For industries with a negative media image there are considerable risks: In case the negative framing prevails, a topical shift in product coverage can have an impact on the company's image as a whole (negative image transfer). The reputation of the chemical and pharmaceutical industry, for example, is clearly at risk. The bottom line is that both sectors did not manage to communicate their beneficial effects in the form of therapeutic progress and quality controls. Readers and audiences thus regard sensational prob-



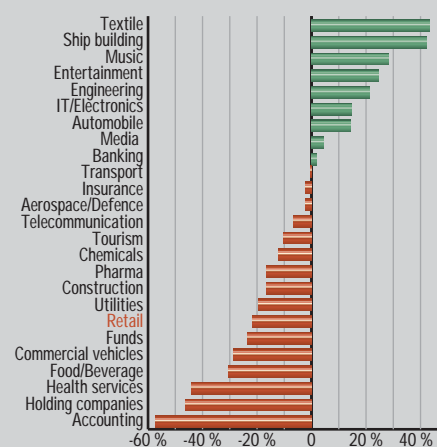
Keyword search results on "mystery shopping", "Testeinkäufe", "covered shopping", etc.

### 3) Media presence of industries on product quality



Number of passages  
Basis: 5,160 passages on companies and managers in 13 media outlets  
Time period: 01/2004 - 05/2007

### 4) Assessment of industries on product quality



Share in all passages  
Basis: 5,160 passages on companies and managers in 13 media outlets  
Time period: 01/2004 - 05/2007

lems, such as the recent one at GlaxoSmithKline, as commonplace, instead of as isolated cases. The image of health services such as Caritas and Arbeiterwohlfahrt are also dramatically negative. The portrayal of the financial sector, however, is mixed.

**East Asia: Image leader when it comes to quality**

A look at the coverage on product quality shows that Toyota is the undisputed star in terms of quality (chart 6). It is true that the company only achieved a third of the reporting on DaimlerChrysler (chart 5). But with an overhang of 60% positive assessments Toyota is the automaker benchmark. DaimlerChrysler, however, has only this year “broken even” in media coverage on quality.

The Korean corporation Samsung has quietly made rapid strides as well: In the 1990s and shortly after the turn of the Millennium, it had primarily made its name in Germany as a producer of cheap consumer electronics. Now it has received an assessment that almost equals that of Toyota. Yet the quantity of reporting was not significant enough to reach a wider audience with it.

Finally, automakers like DaimlerChrysler and Volkswagen communicated the issue of quality aggressively, contrary to the most important German automobile component supplier, Bosch. Throughout the period of analysis, its image was shaped by faulty fuel injection pumps that brought, among others, BMW cars to an unexpected halt. Considering the

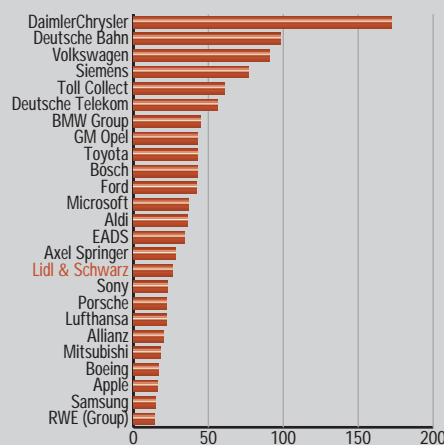


high quality standards of this global corporation, it is more likely than not a problem of communication. Ford, whose image had for years been shaped by quality problems at its US parent, was able to break free through quality improvements in Germany, achieving almost as positive a media image as BMW.

**Top issue No. 2: Customer relations**

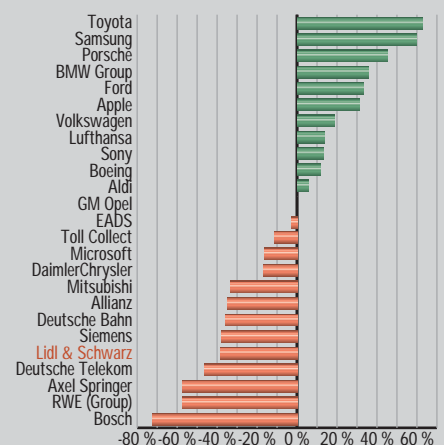
Aside from product quality, sales, service and customer relations are key issues for image. These topics are particularly important for communication in competitive markets, where the differences between products are only minor. Moreover, they are crucial when customers have few alternatives, such as in the case of Deutsche Bahn. The analysis of 4,631 passages on product quality between 01/04 and 05/07 in 13 media outlets has produced a majority of negative examples among the top 25 (chart 7). For example,

**5) Media presence of companies on product quality**



Number of passages  
Basis: 5,160 passages on companies and managers in 13 media outlets  
Time period: 01/2004 - 05/2007

**6) Assessment of companies on product quality**



Share in all passages  
Basis: 5,160 passages on companies and managers in 13 media outlets  
Time period: 01/2004 - 05/2007

the media saw Deutsche Telekom, or even Deutsche Bank (charts 7 and 8), as problem cases.

### Attention: Mystery Shoppers

Consumer-oriented services such as banks, telecommunications and insurers are facing some risks relating to a new trend: A keyword analysis in German, British and US media as well as leading English-language Asian media over the past seven years has shown that “Testkäufe” or “Mystery Shopping” is appearing more and more often in the news. It is reasonable to assume that, aside from increasingly mentioning the issue, journalists do indeed practice this research method to a larger extent.

From a journalistic point of view, anonymous mystery shopping is attractive in many ways. Yet for companies it is often a nightmare. Journalists can produce a colorful and authentic story with comparatively little efforts. It often seems particularly credible, since it is based on the journalist’s own experience. Visits to all greater branch banks of a city with a 20-minute conversation each can be performed and written about on one or two afternoons. The subject matter is vivid and, where the journalist follows a certain set of criteria, even somewhat representative for that city and the specific product.

The problem with these stories is that, more often than not, the individual result is used to evaluate the company’s performance as a whole. They thus differ from institutional testing groups like Stiftung War-

entest (a non-profit German consumer organization conducting independent tests), which generally carries out a number of tests before assigning marks.

Companies have to be prepared that journalists not only report on their own “test experiences”, but also fall back on the Internet as a pool of experiences. Here too, high authenticity is often combined with low case numbers.

### Adequate communication strategies

It seems that for companies there is no way around intensified self-testing. If necessary, they can then contrast their own results with the journalists’ findings. Moreover, corporate communication could send an internal message that the world has moved on: Cheap at all costs was yesterday, today the right quality is worth a cent more. (vb)

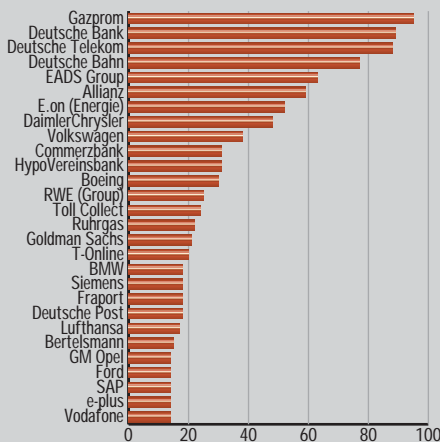
#### Basis

**Media:** 7 TV news programs, 2 weeklies, 4 newspapers

**Time period:** 01/2001 - 05/2007

**Analysis:** 1.18 million passages of at least 5 lines/seconds on companies, industry sectors and managers.

### 7) Media presence of companies on customer relations

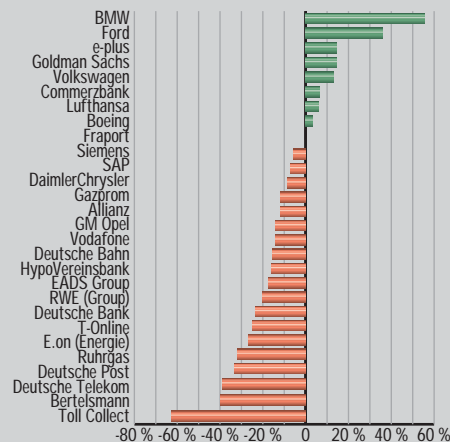


Number of passages

Basis: 4,631 passages on companies and managers in 13 media outlets

Time period: 01/2004 - 05/2007

### 8) Assessment of companies on customer relations



Share in all passages

Basis: 4,631 passages on companies and managers in 13 media outlets

Time period: 01/2004 - 05/2007

### Open questions

Which companies will benefit more than others from a growing focus on product quality? And which ones will lose if consumers become less price-conscious?