

2019 Edelman Trust Barometer
Special Report

Trust in Brand Germany



Methodology

Special Report: Trust in Brand Germany

1,000 respondents in each of eight markets: Brazil, China, France, Germany, India, Mexico, U.K., and U.S.

All fieldwork was conducted online between July 22 and August 5, 2019

2019 Edelman Trust Barometer

Online survey in 27 markets

33,000+ respondents total

All fieldwork conducted between October 19 and November 16, 2018

About Edelman

Edelman is a global communications firm that partners with businesses and organizations to evolve, promote and protect their brands and reputations. Our 6,000 people in more than 60 offices deliver communications strategies that give our clients the confidence to lead and act with certainty, earning the trust of their stakeholders.

In Germany, Edelman has offices in Berlin, Cologne, Frankfurt and Hamburg.

Our honors include the Cannes Lions Grand Prix for PR; Advertising Age's 2019 A-List; the Holmes Report's 2018 Global Digital Agency of the Year; and, five times, Glassdoor's Best Places to Work. Since our founding in 1952, we have remained an independent, family-run business. Edelman owns specialty companies Edelman Intelligence (research) and United Entertainment Group (entertainment, sports, lifestyle).

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The Tarnishing of Brand Germany



Christiane Schulz
CEO, Edelman Germany

“Made in Germany.” A label first enshrined in British law in 1877 and meant as an insult – to mark supposedly inferior products imported from Germany – has long since become a hallmark of German quality and engineering instead. To quote the famous ad slogan of German carmaker Audi, it now symbolizes “Vorsprung durch Technik” – a competitive advantage rooted in technology.

Not anymore. The Dark Halo effect of a string of industry scandals – from Dieselgate to the multiple problems of Deutsche Bank – has badly tarnished Brand Germany. To examine their true impact, we commissioned a special edition of the Edelman Trust Barometer.

The numbers make for stark reading. In the United States, only 38 percent of the public still trust German companies; a seven-point drop compared to a year ago. In France, 46 percent continue to trust German firms, down 10 points. Even where the data looks much better – in emerging economies like Brazil, India, Mexico and China, where trust levels are above 70 percent – we see the first clear signs that the power of Brand Germany is beginning to weaken.

For years, Germany ruled the roost in our annual Trust Barometer, jostling with Canada, Switzerland and the UK, among others, as the home of the most trusted global companies. Not anymore. The downward trend is affecting industries across the board, from financial services, chemicals and pharmaceuticals to automotive.

Edelman has tracked trust for nearly 20 years. We have seen how long it takes to build or rebuild trust, and how quickly it can be lost – for good. That makes our Trust Barometer for Brand Germany particularly uneasy reading, because as the data shows, these industry scandals are now harming trust in several fundamental values of German industry. Especially in developed economies, German companies are not seen as having the controls in place to uncover and prevent corruption. The ethics of German companies are called into question. Even the confidence in the quality of German products is beginning to decline. Potentially even worse, customers in developed markets do not view German companies as good global citizens or committed to local communities.

All this sits uneasily with a narrative widely accepted in Germany: Made in Germany continues to be an intense source of national pride, even more important than the country's standing in the European Union or on the global diplomatic stage. Even among Germans, trust in their nation's companies is weakening, which points to fundamental problems of corporate governance, behavior and communications.

Such declines in trust have an impact that goes deeper than hurt national pride. We know that today's customers are belief-driven buyers. If they don't trust a brand, they are less loyal to it. As our survey of Brand Germany shows, this is already under way. Across both developing and developed economies, between 29 and 54 percent of customers say that they buy fewer or actively boycott German products because of the scandals involving German companies.

These are clear warning signs for an economy that's powered by the exporting prowess of its industry.

Rebuilding trust will require concerted action across all sectors of German industry. What's needed are not marketing campaigns, but a communications strategy that is rooted in trust and based on credible action – from clear leadership on ethics to how companies treat their staff and train them for the skills of the future, to how open and transparent they are in their local communities.

This may require chief executives to take on a more prominent role as the explainer-in-chief; we all know that this does not come easy to German bosses. All companies, however, will definitely have to begin actively managing their own trust – by identifying the strengths and weaknesses of their own brand.

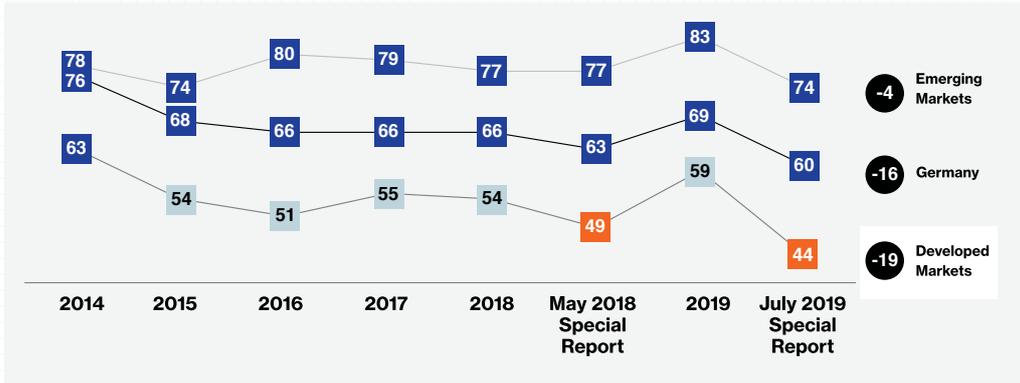
Only once German businesses get the trust basics right, will they be able to rebuild belief in Brand Germany. And if they fail to act, then “Made in Germany” could quickly become an insult once again.

An Erosion of Trust in Brand Germany

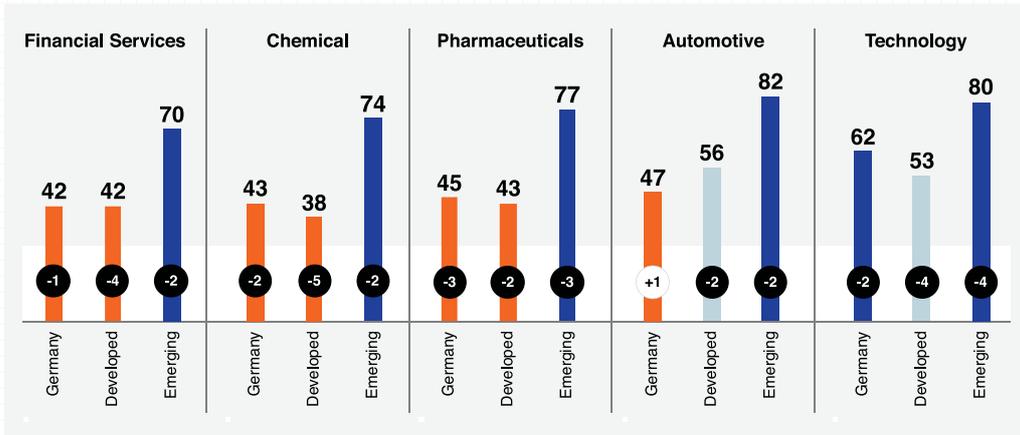
Trust in companies headquartered in Germany has eroded to all-time lows.

Since 2014, trust in Brand Germany has fallen from a high of 63 percent in developed markets (U.K., France and U.S.) to 44 percent. In the past year, trust in Brand Germany in emerging markets (China, Brazil, Mexico and India) dropped from 83 percent to 74 percent. Trust erosion in 2019 has also been particularly pronounced in France (down 10 percentage points to 46 percent trust) and the U.S. (down 7 points to 38 percent). Even in Germany, trust in German companies has decreased 16 points from 76 percent in 2014 to 60 percent today.

Trust in companies headquartered in Germany, 2014 - 2019



Declines in trust are pervasive across five of Germany's top industries.



Pressures on Trust

The decline in trust in Brand Germany has had an impact on the buying of German products. More than a third of people in both developed and emerging markets agree that their buying behavior has been affected by the business scandals. Respondents also indicate waning confidence that German companies are corruption-proof. German CEOs, instead of being in a position to lead a return of German companies to historic high trust levels, are themselves compromised by a lack of trust that will make it difficult for them to be credible agents of positive change.

Percent who agree



Because of scandals involving German companies...

- I buy fewer German products
- I only buy German products when I have no other option
- I am actively boycotting German products

Developed Markets

37%

Emerging Markets

41%

German companies have internal controls and policies in place to uncover and prevent corruption

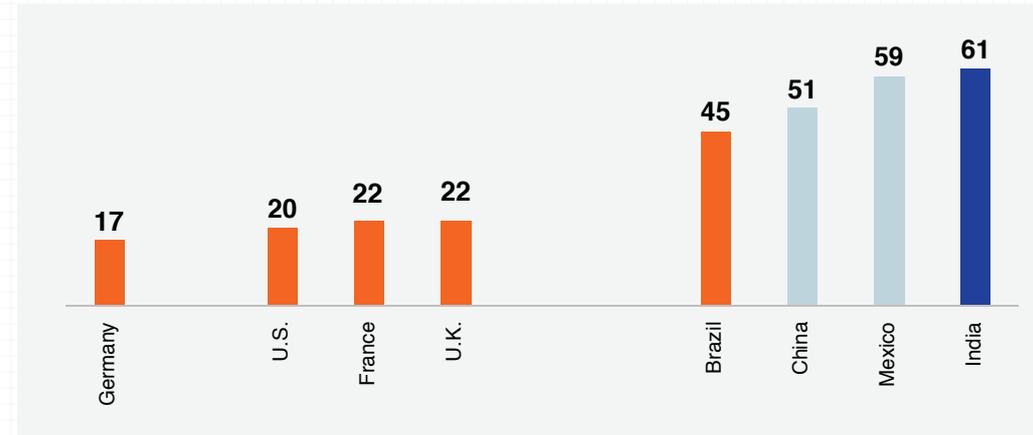
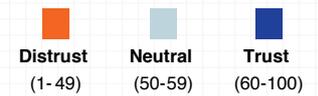
43%

-2

71%

-6

Percent who trust German CEOs to do what is right



Take Warning Signs Seriously



Dr. David Deissner

Executive Director & Board Member

Atlantik-Brücke e. V.

The results of the Edelman Trust Barometer certainly give us pause for thought, as the myth and global appeal of “Made in Germany” are so important for Germany’s economy and competitiveness. Any damage to this brand will have an impact across industries, especially as German companies face ever tougher global competitors; the New Silk Road project is just one among many rivals. Add to this the fundamental challenge of digital transformation, which will disrupt many industries in Germany. That’s why German companies should take the warning signs in this study very seriously.

At the same time, we also have to understand the context of these data. In the United States, for example, the results have to be seen in the light of the geopolitical and trade policy debates dominating media coverage of Germany. For many Americans, the news, political criticism and the perception of German brands are likely to morph into one. After hearing day in, day out that Germans make their profits at the expense of the American economy and fail to meet their foreign policy obligations, for many Americans it will not take a big leap to have an overall negative perception of Germany and German products. The damage done to Brand Germany may be a spill-over effect that has been compounded by the very specific problems, challenges and scandals that some large German companies have recently been involved in.

Personally, I believe that the brand “Made in Germany” has not yet been permanently damaged – at least not in the B2B space. Whenever Atlantik-Brücke delegations visit the United States, we hear and see that most people – especially in the so-called flyover states – continue to associate Germany with high productivity and quality, high-end engineering and as business partners that can be relied on. During the first half of this year, for example,

the German engineering association VDMA reported a 12 percent increase in exports to the U.S. compared to the previous year.

Nevertheless, brand perceptions are a precious commodity that must be protected as robustly as possible. A brand has many different dimensions: on the one hand, it is about its products’ performance and quality, the reliability of contractors within the B2B sector, the product and consumer experience and, of course, essentially, it’s about trust. That’s why it is so crucial that we do not see a repeat of Dieselgate in any member state, which did indeed cause substantial damage to a key industry in Germany’s economy. Hundreds of thousands of consumers in Europe and the U.S. felt like they were being fooled.

Compliance monitoring designed to protect a company’s reputation is essential not just for the automotive sector. All German companies should take transparency, compliance and trust much more seriously in the future. There are different mechanisms by which this can be implemented – from independent ethics councils and regulators to making it clear to staff that the company has to be transparent and act against non-compliance and corruption. Of course, it’s also important to communicate these already very high standards to the outside world. Business leaders must demonstrate credibly that they are committed to following best-practice codes of conduct; they must essentially strive to become trusted producers and suppliers to their customers.

I believe that German companies already understand that this has to be the way forward, and it’s not just the automotive industry that has woken up to it; other industries are also getting the message. Many German companies are engaged in topics such as corporate philanthropy and sustainability; they want to show that their economic decisions are both meaningful and useful. More and more are now championing these topics in public and highlight that they are purpose-driven companies – not least so that they can attract the right kind of talent. If there’s one thing that has become clear in recent weeks, it’s the fact that companies cannot dodge these topics and avoid tackling trust.

NEXT STEPS FOR GERMAN COMPANIES

Reclaiming Trust

Despite signs of potential weakening, especially in developed markets, Brand Germany is still associated with quality and value, a foundation upon which trust can be rebuilt. However, the perception of a company’s value now extends beyond its products or services. German companies must take a 360-degree view of their impact and consider ways to build trust as producers, employers, local partners, global citizens and leaders of change, using communication to reset stakeholder perceptions.

Percent who agree

● - ● 0 ● + Y-to-Y Change

- **German products are well-engineered**
- **German companies offer high-quality products and services**



Use Communication to Reset Perception

Products

Remind stakeholders of your quality and internal controls

Employees

Demonstrate your investment in employees

CEOs

Make your CEO more visible

Communities

Be more vocal in local communities where you operate

Values

Emphasize your commitment to ethics

INTRODUCING EDELMAN TRUST MANAGEMENT

Edelman has been researching trust for nearly two decades. Based on our insights we have developed **Edelman Trust Management**, a suite of powerful and flexible analytical tools that make it easy for companies to understand whether, and how much, their customers, partners and stakeholders trust them. One tool, the **Edelman Net Trust Score**, is a simple metric that monitors the state of trust across countries and audiences. Using this data, Edelman can help a company build on areas where trust is strong and tackle any existing trust deficits.



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