



Reputational Damage Can Be More Costly Than You Think

LegitScript's monitoring services help you reduce the risk of brand-damaging content that can have devastating effects on your business.

One of the greatest assets to a company is its brand equity. In fact, according to a study into brand health, 52% of communications leaders believe that at least **half of a company's market value** is attributed to its reputation.¹ For internet companies that rely on third-party content, merchants, or advertising, their reputation may also be extremely vulnerable. User-generated content can subject internet platforms to a variety of problems, including e-commerce listings for illegal or dangerous products; propaganda that promotes hate, violence, or disinformation; media that is pirated or sexually graphic; and much more. The impact of a single negative press incident can have real and lasting consequences on a company's health. Following are a few examples of how negative incidents can impact your business.

Lower Company Value

A negative public incident can have an immediate impact on a company's stock value or sale price, and can sometimes take years to recover from. According to Andrea Bonime-Blanc, a risk expert and author of *The Reputation Risk Handbook*, a major negative press incident causes an average 7% drop in a public company's stock.²

- In 2018, **Twitter's** stock dropped nearly 11% when it ignored requests from Israel to remove content that incited or supported terrorist activities.³ Then, in 2020, Twitter's stock dropped about 6% on news that the platform had been hacked and that the accounts of celebrity figures on the platform had been used to market a cryptocurrency scam.⁴
- The stock of Snap, Inc., which owns **Snapchat**, dropped more than 4% in 2018 when model Chrissy Teigen publicly quit the social media app over content that appeared to trivialize domestic abuse.⁵
- The blogging platform **Tumblr** sold for \$1.1 billion in 2013. However, a scandal involving user-posted images of child sexual exploitation shook the company's leadership, who exacerbated the problem by implementing draconian policies that many users called sexist and anti-LGBTQ. As a result, hundreds of thousands of users abandoned the platform. Tumblr sold again in 2019 for a reported \$3 million — a dramatic decline.⁶

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Decreased Revenue

In addition to overall value, a company's revenue or capital funding can sharply decline as a result of a negative press incident. This can occur as a result of reduced customer base, regulatory fines, or new government regulations as a result of the incident.

- In 2016, a young adult in China died after undergoing a medical procedure found through an ad listed on **Baidu**, a China-based search engine and internet company. The scandal prompted the Chinese government to implement new online advertising regulations, which caused Baidu's search ad revenue to decline 11.4% from the previous year.⁷
- The Federal Trade Commission sued the owner of the dating website **Match.com** in September 2019 for using fake romance ads to trick consumers into a subscription, and for exposing users to a risk of romance scams.⁸ According to a statement by Match.com, the FTC offered to resolve the claims via a consent judgment mandating changes in the company's business practices and payment of \$60 million.
- The anonymous messaging app **Yik Yak** raised \$73 million in venture-capital funding in 2014 and was the ninth most downloaded social media app in the US. But after scandals involving users engaged in cyberbullying, bomb scares, and threats of sexual assault, more than 76% of users abandoned the app⁹ and capital funding dried up. The company, once valued at \$350 million, sold in 2016 for \$1 million.

Difficult Recruitment and Retention

Reputational damage can also have a lasting effect on a company's ability to recruit and retain talent. A LinkedIn survey showed that the cost per hire is more than twice as high for companies with weak employer brands, and that companies with unpopular brands have 28% higher turnover rates.¹⁰

- Before 2017, **Uber** was consistently a top-ranked company for quality of talent, but after a series of scandals, including allegations of sexual harassment and gender bias, job applications fell 15%, according to LinkedIn.¹¹
- After **Wells Fargo's** account-fraud scandal became widely known in late 2016, the company lost more than 500 brokers in less than a year.¹² In 2020, the bank is reportedly still struggling with retention and recruitment, with broker numbers 1,500 fewer than what they were before the scandal.¹³
- According to research by the Harvard Business Review, executives whose résumés include scandal-tainted companies earn about **4% less** than their peers, even if their work had nothing to do with the controversy.¹⁴

Other Negative Impacts

According to corporate reputation experts¹⁵, a damaged reputation can have deleterious effects on other areas of a company's operations, including:

- Loss of quality investors
- Worse negotiated third-party terms
- Extra costs around liability, legal, and compliance efforts
- Lost time and resources diverted to investigations and litigation

LegitScript is trusted, used, recognized, or recommended by:

- Google
- Facebook
- Amazon
- Microsoft
- Rakuten
- Visa
- Mastercard
- And more!

- Increased likelihood of additional investigations by regulators
- Increased likelihood of future negative media attention
- Uncontrollable negative social media response
- Adverse and sometimes irreparable damage to personal reputations of C-suite
- Gloomy company culture, with high employee dissatisfaction and malaise

How LegitScript Can Help

LegitScript's monitoring services help you reduce the risk of brand damage.

Reduce Risk

Proactively reduce the risk of reputational damage with ongoing monitoring of problematic content across your entire platform. LegitScript helps you stay ahead of illicit and problematic activity with actionable data reporting, backed up by explanations and evidence you can confidently stand behind.

Improve Visitor Experience

Keep your visitors safe from content creators, advertisers, and merchants engaged in brand-damaging activity. LegitScript reports problematic content and offending user accounts on an ongoing basis so you can remove them from your platform and improve the quality of your customers' visit — and repeat visit — experience.

Use a Trusted Partner

Several of the world's largest internet platforms, including Google, Bing, Amazon, and Shopify, have turned to LegitScript's multilingual team of experts to monitor their users, merchants, and advertisers in more than 80 countries. We monitor millions of ads, posts, and e-commerce listings so you don't have to. Let our experts free up time your employees spend on monitoring so they can focus on targeted enforcement efforts and other important company priorities.

¹ <https://apnews.com/ca40da2be0c18d9d45a9d2246559396d>

² <https://www.business2community.com/branding/how-a-strong-corporate-reputation-can-pay-dividends-01340601>

³ <https://www.bloomberg.com/news/articles/2018-03-20/israel-warns-twitter-of-legal-steps-over-incitement-to-terrorism>

⁴ <https://www.orbex.com/blog/en/2020/07/twitter-drops-6-on-hacking-scandal>

⁵ <https://www.foxnews.com/tech/chriissy-teigen-quits-snapchat-amid-rihanna-ad-scandal-recent-update>

⁶ <https://www.washingtonpost.com/technology/2019/08/13/tumblr-once-sold-billion-owner-wordpress-just-bought-site-fraction-that/>

⁷ <https://technology.informa.com/585187/baidus-first-ever-ad-revenue-decline-linked-to-the-introduction-of-the-new-chinese-online-advertising-regulations>

⁸ <https://www.ftc.gov/news-events/press-releases/2019/09/ftc-sues-owner-online-dating-service-matchcom-using-fake-love>

⁹ <https://www.nytimes.com/2017/05/27/style/yik-yak-bullying-mary-washington.html>

¹⁰ <https://business.linkedin.com/talent-solutions/blog/2011/12/whats-the-value-of-your-employment-brand>

¹¹ <https://www.cnbc.com/2017/06/18/recruiters-circling-uber-in-wake-of-scandals.html>

¹² <https://www.wsj.com/articles/wells-fargo-broker-defections-pick-up-since-cross-sales-scandal-1500062737>

¹³ <https://riabiz.com/a/2020/1/16/wells-fargo-plagued-by-broker-defections-after-its-2016-scandal-makes-splash-after-new-ceo-green-lights-generous-innovative-succession-funding-with-a-mark-hurley-twist>

¹⁴ <https://hbr.org/2016/09/the-scandal-effect>

¹⁵ <https://www.business2community.com/branding/how-a-strong-corporate-reputation-can-pay-dividends-01340601>

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