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# The Impact of Brand Reputation on Financial Performance

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## Abstract

As the business world moves towards the digital era, conversations about brands are being held around the world, which can affect the perception that people have about companies. Consequently, it has become imperative to address the topic of brand reputation management so that companies have control over the information being shared about them to protect, preserve and enhance their brands and businesses.

Following this reasoning, this thesis investigated the impact of brand reputation in the financial performance of companies in Portugal, particularly, in the banking sector. It analysed how brand reputation performs as a differentiating factor for businesses and may represent a source of competitive advantage that allows companies to outperform their competitors and survive.

Qualitative and quantitative data were gathered through experts' interviews and surveys to consumers, investors, journalists and C-level/board directors. The aim of this exercise was to analyse how people develop perceptions of brands and how different brand attributes affect the reputation of a brand reputation and financial performance of companies across different sectors of the Portuguese economy. Furthermore, this dissertation compared the performance of strongly perceived brands with its competitors and investigated how a reputational crisis affects the financial performance of companies through the analysis of Banco Espírito Santo's governance scandal case study.

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## Abstrato

Com a entrada do mundo do negócio na era digital, as marcas são faladas por todo o mundo, o que pode impactar a perceção que as pessoas têm das empresas. Consequentemente, tornou-se imperativo abordar a gestão da reputação das marcas para que as empresas possam gerir a informação partilhada para proteger, preservar e reforçar as suas marcas e negócios.

Como tal, esta tese investiga o impacto que a reputação de marca tem na performance financeira de empresas em Portugal, particularmente, no setor da banca. A tese analisa como a reputação de marca desempenha um papel diferenciador para as empresas e pode representar uma fonte de vantagem competitiva que permita às empresas superar a concorrência e sobreviver.

Foram recolhidas informações qualitativa e quantitativa através de entrevistas a peritos de indústria e questionários a consumidores, investidores, jornalistas e diretores de empresas. O objetivo deste exercício foi de analisar como as pessoas desenvolvem perceções de marcas e como diferentes atributos de marca afetam a sua reputação e a performance financeira de empresas dos vários setores de atividade em Portugal. Adicionalmente, esta tese comparou a performance financeira de marcas com reputações fortes com os seus rivais no mercado de ações e investigou como uma crise reputacional impacta os resultados das empresas através da análise do caso da crise de governo do Banco Espírito Santo.

Título: O impacto da reputação de marca na performance financeira

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Palavras chave: Banca; Banco Espírito Santo; Reputação de Marca; Força de Marca; Vantagem Competitiva; Crise

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## 1. Introduction

The business world has developed and changed substantially over the last decades, driven by globalization and digitalization. As a result, people are exposed to large amounts of information through diverse touchpoints, being one click away from reaching others across the world. This allows people to talk, hear and share opinions about companies without leaving the comfort of their home, and build perceptions based on information they collect. As such, companies are required to take control and manage information being shared to protect, preserve and enhance their brands' reputation.

Brand reputation may be defined as the perception that the various stakeholders have of a brand, which is built over time and based on set of different dimensions. A strong reputation brings several advantages to corporations, as it attracts customers, investment and employees and increases trust from government and regulatory institutions. Also, it has a positive influence on media and protects companies from crises, where their brands and sustainability face greater risks. Consequently, the way a company's brand is perceived represents an important factor in business strategy and a key source of competitive advantage.

The focus of this dissertation is to investigate the role of brand reputation as a source of competitive advantage in the Portuguese market. Particularly, this investigation aims to assess how brand reputation is an essential asset for firms to face and overcome crises, either external or internal, by analysing its impact on the financial results of companies and pointing out key attributes that companies need to carefully manage to build a strong reputation.

It starts by comparing the performance of strongly perceived brands with its competitors over time, where companies are exposed to a dynamic external environment that provides opportunities and threats to brand reputation. This study will be conducted through the analysis of the evolution of the stock price of listed Portuguese companies during a crisis resulting from an external shock, particularly, the Covid-19 outbreak.

Furthermore, this thesis analyses the impact of internal crises on the reputation and financial results of companies from ten sectors of the Portuguese economy: Banking, Financial Insurance, Energy, Telecom, Technology, Retail, Consumer Goods (FMCG), Health Care, Leisure and Luxury. It intends to analyse and measure the impact of brand reputation on a company's financial value through surveys of the general public and C-level/board directors.

Finally, to better understand the effects of brand reputation on financial performance of companies, this dissertation investigates the case study of Banco Espírito Santo (BES). The case refers to one of the biggest Portuguese banks and companies, that was highly regarded as a reference nationally and internationally. However, following a governance crisis, the brand and the company were unable to survive, which led to the split of the bank in the “bad bank” and the “good bank”, named Novo Banco. Additionally, as BES was critical to Portugal’s economy, it generated a crisis that impacted the whole Portuguese economy, particularly, the Portuguese banking industry. This dissertation aims to explain the impact that the corruption scandal had on the brand reputation and financial performance of BES and Novo Banco, as well as in their competitors in the banking sector. This investigation will be conducted through the analysis of the banks’ annual financial results (information collected from the companies’ financial reports) and reputation scores (assessed by OnStrategy, Brand Value Management; Reputation Institute / Reprtrak Company).

As brand reputation management becomes increasingly more important, this thesis intends to make three main contributions about the importance of brand reputation in business and brand management.

The first contribution relates to the importance of brand reputation for helping companies to position themselves in the market, assuring their survival in a dynamic external environment and enhancing financial results. It adds value for management about the vulnerability of businesses to brand crises and concerning which brand dimensions have a higher risk and impact for companies. This work helps firms to engage preventive behaviour to protect businesses from such risks.

Secondly, this thesis studies the weight that different attributes have on the development of perceptions of brands in different sectors. There is useful knowledge for companies to develop strategies for their brands based on the attributes that impact brands’ reputation and, consequently, have more efficient brand communication and enhance business performance. Moreover, this study provides brand managers with key information to strengthen their brands, which is especially important to protect businesses from severe crisis that emerge from external factors and impact the behaviour of companies’ stakeholders, such as consumers and investors.

Finally, this dissertation provides knowledge for managers in the banking sector about the importance of brand reputation and how companies should manage it. It outlines key attributes for brand reputation in this particular sector that require special attention, such as governance and ethics. These attributes may make the difference between positioning the bank as a reference in the industry or becoming irrelevant in the market. Moreover, it provides insights on how companies in this sector

should act to protect their brand reputation when the industry is impacted by a crisis that affects the overall reputation of the industry and the trust that the various stakeholders have on banks.

## 2. Literature Review

This chapter is composed by three sections which will cover the theoretical research and work developed over the years about competitive advantage, brand, and brand strength and reputation. The topics will be addressed through published A-papers, as well as studies conducted by companies specialized in brand value management.

### 2.1 Competitive Advantage

For years scholars have dedicated a great amount of research on understanding why and how some businesses outperform others. Business success is often associated with the term competitive advantage. Articles about competitive advantage abound, but a precise definition is elusive. Reviewing the use of this term in the strategy literature, the common theme is value creation (Rumelt, 2003). In this sense, competitive advantage may be defined as “the unique advantage that one firm has over its rivals that creates superior value for its customers and higher profits for itself.” (Porter, 1985). The two main types of competitive advantage are differentiation and cost advantage (Porter, 1980; Hill, 1988). Additionally, companies that operate in multiple industry segments can gain a competitive advantage by using a focus strategy, where companies align their focus and efforts on a specific business segment (Porter, 1985). However, this view on business success only focuses on its relative dimension. For companies to prosper, they require to be able to capture the value it creates, which forces companies to have a sustainable competitive advantage (Saloner, Shepard & Podolny, 2005), enabling businesses to survive over time.

Furthermore, companies’ success is dependent on internal effects, but also external effects. Previous studies on business success drivers resulted in the formulation of many theoretical perspectives, differentiating between themselves mainly on the degree of endogeneity. The theories range from the most deterministic ones such as Selection theory, where success is solely driven by exogenous factors, to theories such as Upper Echelons theory, which argue that success is driven by factors inside the firm, namely business specific factors and corporate parent factors (e.g., top management decisions) (Hambrick & Mason, 1984).

This paper outlines two theories which stand out from others for their balanced view on what drives business success, weighing-in industry and firm effects:

- Industrial Organization model: the performance of the firm is mainly driven by industry effects, as what happens to an industry will happen to all companies operating in that industry. According to this theory, the differences in performance are due to primarily the choice of

industry, as the key differences in performance across firms are determined by the differences in the performance levels across industries (Porter, 1979). The performance of the industry is dependent on the rivalry among existing competitors, the threat of new entrants, the bargaining power of buyers and suppliers and the threat of substitute products and services (Porter, 1985). However, industry effects are not enough to explain the differences in performance between companies, especially, between companies within the same industry. This theory also considers firm effects to explain the differences in performance between companies, namely, the company's choice of positioning - it stands for an internal decision regarding the position that the company wants to have in the market, by pursuing either a cost advantage or differentiation strategy (Porter, 1979).

- Resource-based theory: this theory draws attention to the firm's internal environment as a driver for competitive advantage and emphasises the resources that firms have developed to compete in the market (Barney, 1991). The main sources of difference in performance are the resources and capabilities hold by each firm. The main differences in performance across firms depend on the different bundles of resources and capabilities, thus, on core competencies, which are included in the internal factors of the firm (endogenous factors) - only strategically important and useful resources and competencies should be viewed as sources of competitive advantage, as core competencies are distinctive, rare, valuable firm-level resources that competitors are unable to imitate, substitute or reproduce (Barney, 1991; Prahalad & Hamel, 1994).

The study on business success drivers was followed by more recent studies, where researchers reached different conclusions. While some studies sustained that firm effects are the predominant effect determining business success (Rumelt, 1991; McGahan & Porter, 1997), a more recent study challenged this idea by removing the outliers (top and bottom performers in the market) from the sample (Hawawini, Subramanian & Verdin, 2003). The research concluded that companies are affected by both firm and industry effects: using the TMV / CE ratio and the ROA measures, on a first instance, after analysing all the industry players, firm effects appeared to be the predominant effect as previous research argued, with a weight of 32.5% and 35.8% on the previous indicators, respectively. However, following the removal of the outliers from the sample, the weight of industry effects increased while, reversely, the impact of firm effects decreased. Therefore, firm effects are exponentially driven by the top and bottom performers, which means that industry effects are indeed the most important explanatory variable in the differences in performances between companies while, for top and bottom companies, firm effects are the predominant explanatory variable to those companies' performance.

	<b>Sample</b>	<b>Firm Effects</b>	<b>Industry Effects</b>
<b>TMV / CE</b>	Full	32.5%	11.4%
	Modified	17.0%	30.2%
<b>ROA</b>	Full	35.8%	8.1%
	Modified	16.7%	16.0%

Table 1 - Hawawini, Subramanian & Verdin, 2003

The conclusion reached in the previous study is especially relevant to analyse a market affected by a significant shock, as it will be mentioned in this dissertation.

## 2.2 Brand

As a strategy to gain competitive advantage over rivals, differentiation involves developing one significant aspect of a product or service in order to set it apart from its competitors. This can be achieved through a host of features such as better quality, where the resultant added value perceived by the customer offsets the impact of a higher price, strong brand image, identity and reputation, technology and features or unique customer service and dealer network (Porter, 1997; B. Sharp, 1991). This paper focuses on brands and their reputation as a source of competitive advantage for businesses.

The American Marketing Association defines brands as a “name, term, sign, symbol, or design (or combination of them) which is intended to identify the goods/services of one seller (or group of sellers) and to differentiate them from those of competition” (Kotler, 2000). From a strategic point of view, brands are valuable assets and a key source of competitive advantage for any firm due to its unique tangible and/or symbolic, emotional and intangible characteristics, which makes it difficult for competitors to imitate. As Stephen King said, contrary to products that can be copied by the competition and lose value over time, brands are unique and a successful one can be eternal. Brands can serve companies on different perspectives and motivations: from an economic point of view, brands with high sales enjoy production economies, generating efficiency rents for low-cost firms (Demsetz, 1973) or lower unit-marketing costs (Thomas, 1989); strategy scholars add that a strong brand image is the manufacturer’s prime strategy for differentiating its products and increase the bargaining power of corporations vis-à-vis retailers (Porter, 1976), while increasing the sustainability of business strategies (Aaker, 1995); finally, from a marketing point of view, brands bring value or equity to firms, as favourable outcomes result from the marketing of a product or service due to its brand name (Keller, 1993), increase the levels of loyalty, awareness, perceived quality (Aaker, 1991)

and stability, as it evokes clear identities to stakeholders about the businesses' mission and vision (Kapferer, 1992).

Besides generating income and creating the conditions for companies to foster their businesses, brands serve as identifiers and endorsements, indicating authenticity, quality and consistency (Duckworth, 1991) and enable consumers to identify products or services which promise specific benefits, removing the need to shop around and analyse all available alternatives (Crainer, 1995; Arnold, 1992; L. Warlop et al., 2005).

Every action taken by companies related to their brand is expected to impact their value to the consumers, as brands can increase and decrease value over time from companies' brand equity management: brand equity results from the management of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets (Aaker, 1991). Consequently, brand equity is impacted by the efficiency of its interactions with the company's stakeholders, which is enhanced through many touchpoints.

### [2.3 Brand Strength and Reputation](#)

Brands are acknowledged to play an essential role on the financial results of corporations. Previous studies indicated that institutional holdings are significantly influenced by brand perceptions, suggesting a preference for visible, brand-name stocks in individuals' decisions to hold stocks, which supports the hypothesis that individual investors exhibit a propensity towards companies with easily recognizable products (L. Frieder, A. Subrahmanyam, 2003). Additionally, brands serve as strong extrinsic cues that help consumers deal with uncertainty from being overloaded with different options and make decisions (L. Warlop et al., 2005). It is increasingly important for companies to build strong brands in order to strengthen their relationships with the stakeholders and, consequently, reinforce their financial sustainability. A recent study showed that strongly branded companies continue to outperform the market: the top 50 strongest brands in the UK deliver significantly higher shareholder returns, reaching 30% higher returns than the FTSE 100 in 2021, while brands with the highest ratio between brand value and enterprise value (BV/EV) outperform the market with 80% higher returns (Brand Finance, 2022).

As companies are subject to a dynamic environment affected by political, economic, technological, legal, environmental and social forces, it is increasingly more difficult to build a sustainable competitive advantage or survive. Companies' exposure to various exogenous shocks increases the

need for companies to have dynamic capabilities – the firm’s potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base (Barreto, 2010). The ability to adapt and extend existing competencies differentiates dynamic capabilities from other strategic frameworks and guarantees business survival (Harreld, O’Reilly & Tushman, 2007).

Brands are also subject to exogenous shocks, which forces companies to manage and adapt brands to these shocks. While external forces are out of scope for managers to control, companies can build brand equity on the way they interact with stakeholders, as they can control brand internal attributes. In fact, the power of a brand lies in what consumers have learnt, felt, seen, and heard about it (Aaker, 1991). The strength of brands results from its interactions with a wide range of stakeholders and may be defined as the efficacy of a brand’s performance on intangible measures, relative to its competitors (source: Brand Finance).

This paper uses a certified model (ISO 20671) to measure brand strength. The model contains technical requirements and methods that are used to evaluate a brand and forms a holistic approach to brand valuation, which includes the non-financial and financial aspects of valuation (Porokhnya, Kravets, Didenko, Penev, 2020). In this model, brand strength is assessed based on its interactions with the stakeholders through six dimensions (source: OnStrategy): the Relationship (emotional reputation dimension) and Reputation (rational dimensions) of the brand; the Experience that the stakeholders have with the brand; the Presence of the brand, determined by its legal protection, market and communication share, geographic coverage and distribution quality and efficiency, price reference and touchpoints quality and efficiency; the relationship of the brand with the company’s employees (People), which are the main ambassadors of the brand, playing a vital role in brand strength as its relationship with the brand needs to be aligned with the performance of the brand in the remaining dimensions to allow firms to put in place a strategic brand management, instead of short-term promotion strategies; and the Financial Health of the company, which is crucial to balance the performance of the brand in the previous dimensions (Figure 1).

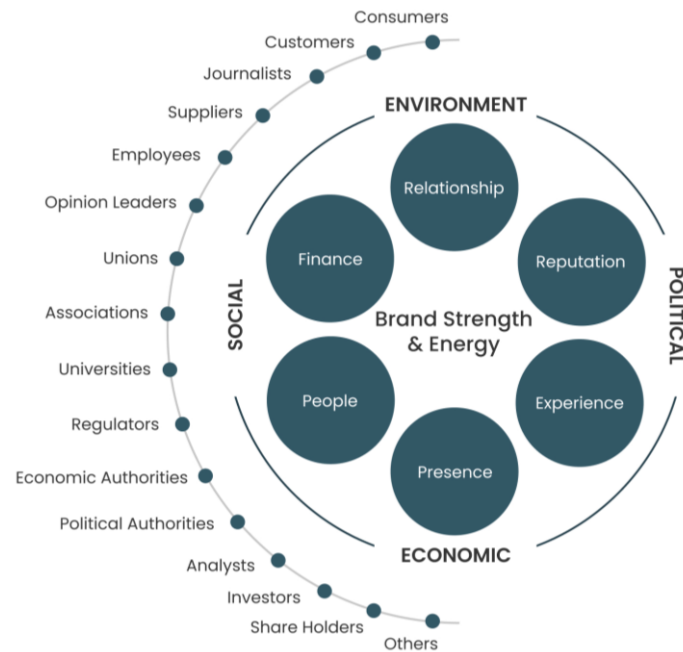


Figure 1 - Brand Strength Model (ISO 20671), source: OnStrategy

Although the weight of each dimension varies across sectors and periods of time, Reputation usually outstands for being as important to build brand's strength as challenging to manage itself. The reputation of a brand has been described as an extrinsic cue based on how people see a brand, that is an attribute related to the product/service (Zeithaml, 1988). It results from a function of its reputations among its various stakeholders in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues) (Eccles, Newquist, Schatz, 2007). Brand reputation is developed and evolves over time as a consequence of the actions taken by companies over a long period of time (Herbig & Milewicz, 1993; Herbig, Milewicz, Golden, 1994; Amis, 2003). Brand reputation constitutes an important input to marketing decision making, providing insights on how consumers see the firm, brand or product relative to its competitors and helping assess whether the current brand strategy has achieved the desired positioning in the consumers' minds (Dolan, R.J., 2001).

Reputation requires careful management because the way people perceive a brand will condition their experience, as people build expectations about their experience: the experience should always match people's expectation. If the experience fails to meet people's expectations, companies need to manage the gap between expectations and the experience to protect the strength of the brand: if reputation is better than the experience, it means that the experience does not meet people's expectations, which will have an impact on consumption repetition and brand loyalty (Eccles, Newquist, Schatz, 2007) and, if reputation is worse than experience, it means that that the potential for a future increase in

reputation and relationship is high, but also that, for the moment, the company's communication is not adequate and does not maximize its potential.

Brand reputation is composed by two components: emotional reputation (or relationship) and rational reputation. Emotional reputation relies upon brand equity and heritage: this is affected by the perceived relevance brands have for people, whether or not they take the brand into consideration when consuming or comparing with other brands, if they trust, admire, have a preference for the brand and if they recommend it to others. This component can be associated with what researchers have termed as "the essence of the brand", as it is built around the distinctive attribute/characteristic which is most closely linked to the brand's meaning and success (Greyser, S.A., 2009). Emotional reputation is responsible for the engagement of the brand with the stakeholders. On the other hand, rational reputation is more complex, as this reputational dimension is developed based on a larger range of different attributes (source: OnStrategy; Fombrun and Gardberg, 2000):

- Products quality: individuals understand the brand as offering adequate, efficient, safe and reliable product solutions, the product offer is easy to understand, tailor made for the market, presenting high value for money and meeting customers' needs;
- Service quality: the brand is perceived as offering adequate and efficient store / branch, online / digital and contact service, as well as a proper, accurate and fast needs answer, shows availability and accessibility, and creates sympathy and empathy;
- Innovation and differentiation: the brand is seen as unique, offering innovative products and services, and adapting quickly to change, while also being perceived as the first to market and as an economy innovation reference;
- Workplace and wellbeing: people believe the company rewards employees fairly, offers equal opportunities and long-term employment and promotes employee development, wellbeing, diversity and inclusion;
- Citizenship and social role: the public sees the corporation as a responsible business, which cares about citizens, supports good causes, acts responsibly towards the climate and the environment, promotes industry and technological literacy as well as the emergence of new talents and performs a positive influence on society;
- Governance and ethics: the brand is perceived as open and transparent, behaving ethically and with a fair business conduct, meeting regulatory requirements and having excellent management while also being perceived as a responsible economy developer;

- Leadership and vision: people believe the brand is an industry leader, strong and sustainable, well organized, technically excellent, having a clear vision for its future and an appealing CEO leader;
- Prosperity: the business is perceived as profitable, secure and sustainable, which exceeds the expected results and shows strong growth prospects, at the same it is considered as a relevant tax payer and a strong contributor for the growth of the economy.

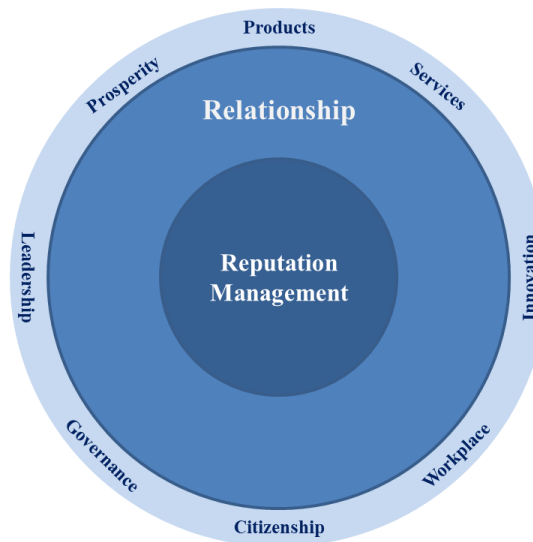


Figure 2 - Reputation management model (ISO 20671)

The importance of brand reputation is increasingly acknowledged by executives. A strong brand reputation is a key instrument for companies to attract new clients and talented employees; increase the perceived value provided, which allows companies to charge a premium (Loureiro & Kaufmann, 2016; Loureiro et al., 2017); build a more loyal customer base which buys broader ranges of products and services; attract new investments, as the market believes that such companies will deliver sustained earnings and future growth, which leads to higher price-earnings multiples, market values and lower costs of capital; and enhance financial performance (Eccles, Newquist, Schatz, 2007; Carmeli and Tishler, 2005; Fombrun and Gardberg, 2000). As a core resource, reputation is a major factor in gaining a competitive advantage because it is difficult for competitors to match the prestige and esteem created by reputation (Hall, 1992; Carmeli and Tishler, 2005).

Furthermore, in an economy where 70% to 80% of market value comes from hard-to-assess intangible assets such as brand equity, intellectual capital and goodwill, organizations are especially vulnerable to anything that damages their reputations (Eccles, Newquist, Schatz, 2007). It should be noted that brand reputation is subject to a large a number of risks. Reputational risks can emerge from the exposure of a brand to the external environment or from brand / company intrinsic factors.

If a crisis emerges from external shocks, it impacts the financial performance of entire industries (Porter, 1979). In this case, the strength and reputation of a brand is crucial to protect firms from the impact of the crisis on its performance and help companies recovering from it.

On the other hand, if a crisis emerges from internal factors of the brand, the consequences may vary from a minimal impact on the performance of the company to the end of the brand and business. Previous studies have explored sources of reputation crisis associated with its emotional component: crises concerning “the essence of the brand” can be life-threatening to organisations since it poses as a serious challenge to a company’s marketplace positioning and its brand meaning while, if the essence of the brand is not central to the situation, the problem is more likely to be overcome, albeit still troublesome (Greyser S.A., 2009). However, not all crises are exclusively related to the emotional reputational dimension: brands can also be affected by crises related to rational attributes. The effect of a crisis in one rational attribute resembles to what happens in the emotional dimension: crises linked to a crucial attribute for developing brand perceptions within a specific sector are likely to expose companies to greater threats for their reputation and financial results, while if it is not an essential attribute to the sector, brand reputation and financial results will be less affected as the crisis can be more easily managed and solved.

### 3. Methodology

How reputation affects companies' financial performance in the short-term has been widely studied; share price volatility increases when actions violate stakeholder' expectations. But, as established previously, the ultimate goal of a firm is to build sustainable competitive advantage that allows the company to survive. The aim of this paper is to investigate how brand reputation impacts the financial performance and sustainability of a company based in Portugal. In order to understand the relationship between the two variables, the research methodology used in this paper entailed surveys, expert interviews, as well as data collection and analysis. Thus, the topic of research of this dissertation has been explored through three tests. In the first two tests, this dissertation will analyse, firstly, the impact of brand reputation on the financial results of companies over time, taking into account crises emerging from external factors, and secondly, the impact of brand reputation on the financial results of firms across ten industry sectors with a representative weight on the Portuguese economy, taking into account brand reputation intrinsic attributes. Finally, in the third test, this paper analyses a case study in the Portuguese banking sector, namely, the crash of Banco Espírito Santo in 2014, which covers some of the content analysed in the first two tests.

For the purpose of measuring brand reputation and its evolution over time, this thesis is based on the certified brand strength model (ISO 20671), which considers brand reputation a function composed by emotional reputation and rational reputation:

$$\textit{Brand Reputation} = \beta_1 \textit{Emotional Reputation} + \beta_2 \textit{Rational Reputation}$$

Or,

$$\begin{aligned} \textit{Brand Reputation} &= \beta_1 \textit{Emotional Reputation} + \beta_2 \textit{Quality of Product and Services} \\ &+ \beta_3 \textit{Innovation and Differentiation} + \beta_4 \textit{Workplace \& Wellbeing} \\ &+ \beta_5 \textit{Citizenship and Social Role} + \beta_6 \textit{Governance \& Ethics} \\ &+ \beta_7 \textit{Leadership \& Vision} + \beta_8 \textit{Prosperity} \end{aligned}$$

#### 3.1 Research design

##### **3.1.1 Test 1 – The impact of brand reputation following the Covid-19 outbreak**

In this test, the goal was to understand how brand reputation is a differentiating factor in the financial performance of Portuguese companies. The test analyses how strongly perceived brands outperform

their competitors over time, particularly, when they face a crisis emerging from external factors to the brand, particularly, the economic and social crisis that emerged from the Covid-19 outbreak in Portugal. Hence, information regarding the stock price of companies listed in the PSI 20 in 2021 (PSI – Portuguese Stock Index) within the period ranging between 7/12/2020 and 5/12/ 2022 and their respective brand reputation scores were collected from Euronext and the consulting company On Strategy, respectively. The companies analysed were: EDP, Galp, SONAE, CTT, Navigator Company, NOS, Jerónimo Martins, Corticeira Amorim, EDP Renováveis, Millenium BCP, Novabase, Semapa, Altri, REN, Mota Engil, Ramada, Ibersol, Pharol. These companies were divided into two groups based on their brand reputation in 2021: “Top Brands” and “PSI 20”. The first group includes the nine companies of the previous list whose brand reputation scored at least 70 points out of 100 in 2021, while the second one groups the remaining nine (Appendix 1). Finally, the average stock price of each group per day was analysed. The goal of this test was to analyse how strongly perceived brands outperform their competitors and how both types of brands behave in periods of crisis emerging from external factors.

### **3.1.2 Test 2 – How brand reputation impacts companies’ financial results**

Following the study of how brand reputation impacts the financial performance of companies when exposed to a crisis emerging from external factors, the focus of the second test lies on brand intrinsic factors impacting brand reputation and, consequently, the performance of businesses. Thus, the second test of this dissertation quantifies and explains how the perception that stakeholders have about the brand impacts the business performance of Portuguese companies from ten different sectors: Banking, Financial Insurance, Energy, Telecom, Technology, Retail, Consumer Goods (FMCG), Health Care, Leisure and Luxury. The test was drawn based on the collection of information through three surveys, where the first two surveys were conducted in collaboration with the consulting company OnStrategy, which has access to a research panel of interviewees.

The aim of the first survey was to understand the weight of brand strength and brand reputation on the financial performance of companies through the perspective of the directors of these companies. This survey collected information from 5044 C-level/board directors, with representation of large, medium, small and micro companies (Appendix 2). The survey was divided in two different moments: firstly, the interviewees were asked to score, using a scale from 1 to 10, the impact of brand strength in the business value of companies in their industry and to name, spontaneously, which brand management dimensions impact and build brand strength in their industry; afterwards, following the analysis of the previous answers, the interviewees were asked in the survey to weigh-in the dimensions Reputation, Experience, Activation and Financial Health in the construction of brand’s

strength in their industry, where the sum of the weights attributed to each dimension should equal to 100%.

Simultaneously, a second online survey was distributed to understand how different stakeholders develop their perceptions about brands for the 10 referred sectors, using brand reputation attributes from the Brand Strength Index (ISO 20671). The survey collected 43018 responses from citizens in Portugal (Appendix 3). The results provided insights on how people build perceptions about brands for each sector, how they weigh-in emotional and rational reputation, as well as each rational reputation attribute.

Finally, a third online survey was conducted to a smaller sample. This survey was a scenario-based survey, where the goal was to understand how stakeholders' rational perceptions of brands evolve when they are exposed to a crisis in a specific attribute and how it impacts the perceptions on the remaining attributes. The interviewees were exposed to 3 real-life different scenarios where a brand suffered a crisis in a specific reputational attribute: the governance/ethics crisis at EDP, where its CEO was investigated for corruption, the governance/ethics crisis at Banco Espírito Santo, where a corruption case led to the bankruptcy of the bank and the emergence of Novo Banco, and the products/services quality crisis at Coca Cola, when the company launched the New Coke. People were asked how this would change their perception on the remaining attributes. As the focus of this survey lied on rational reputation, the interviewees were not presented the real brands in order to assure that the emotional attachment and dimension of reputation would not interfere with the results.

### **3.1.3 Test 3 – Banco Espírito Santo case study**

Lastly, in order to better comprehend the impact of brand reputation on the financial performance of companies, this paper investigates a case study of the Portuguese banking sector, namely, the case of Banco Espírito Santo (BES). In the analysis of the case study, the goal of this paper is to understand how a governance crisis in the bank impacted the brand reputation and financial performance of the bank and four other competitors: Banco Português de Investimento (BPI), Caixa Geral de Depósitos (CGD), Millennium BCP and Santander Totta. The case study covers the period between 2011 and 2020, using the annual brand reputation scores of the previous five banks from On Strategy (scores range from 0 to 100 points) and the financial results of the banks available in their respective annual financial reports: resources of clients, EBIT, EPS and share price - for the purpose of this test, market shares will be calculated assuming the banking sector is only composed by the companies mentioned above.

The test was divided in 3 sections. In the first section, this paper investigates the Portuguese banking market before Banco Espírito Santo's crisis and the relationship between brand reputation and the performance of each bank. Then, following the crisis of the bank and the foundation of Novo Banco (that succeeded BES), this dissertation focuses on clarifying how the governance crisis affected perceptions of the bank in terms of Governance & Ethics and remaining reputational attributes, the bank's overall reputation and financial results. Additionally, the paper tests statistically how the drop of BES / Novo Banco's brand reputation impacted the bank's capability to collect funding from clients' deposits (Assumption 1) and financial sustainability (Assumption 2):

- Assumption 1
  - Null Hypothesis: A change in brand reputation has no impact on the resources of clients.
  - Alternative Hypothesis: A change in brand reputation has an impact on the resources of clients.
- Assumption 2
  - Null Hypothesis: A change in brand reputation has no impact on the EBIT.
  - Alternative Hypothesis: A change in brand reputation has an impact on the EBIT.

In the second section, this paper compares the impact of the governance crisis of BES with other sectors, particularly, the energy sector, where this paper briefly analyses a similar governance crisis in EDP, the leading energy company in Portugal.

In the last section of the case study, it is analysed how the economic crisis that followed BES's bankruptcy impacted the banking industry and makes a comparison between the recovery of Novo Banco and its competitors.

#### 3.1.3.1 Banco Espírito Santo case study background

##### **Introduction to Banco Espírito Santo**

The Espírito Santo family started its role in Portuguese economy when José Maria Espírito Santo opened "Caza de Cambio" (currency exchange store) in Lisbon in 1869, where he bought and sold credit securities and lottery tickets and later transformed it into a banking and investing business (source: *Banco Espírito Santo website*). His heirs would later build the Espírito Santo Group (GES) into a sprawling global empire with interests in real estate, property, agriculture, tourism, and health care (Markets/Finance, 2014).

The business became a public limited liability company named Banco Espírito Santo, SARL by the end of the Great War, a period where a global political, economic and social crisis led to the bankruptcy of many financial institutions. However, Banco Espírito Santo was able to resist and strengthen its position as one of the biggest private banking institutions by 1926. This period was followed by a phase of consolidation and expansion for BES. By World War II, the family interests had seeped into nearly every pore of Portugal's business and political communities. The neutral position of Portugal attracted much of Europe's wealth which helped BES to become the country's second largest bank by market value (World Policy Journal, 2016). The bank became one of the main drivers of the internationalization of the Portuguese economy and started its own international expansion in the beginning of the 1970's, by confounding the Libra Bank and Banco Inter Unido, in Luanda with the First National City Bank of New York (source: *Banco Espírito Santo website*). Consequently, most of the family's money was coming from abroad, namely Portuguese colonies: until the 1960's, only 10% of the bank's investments were in industrial firms. It sunk the bulk of its money into chartered companies – corporations given special rights, usually a local monopoly, by a colonial government (World Policy Journal, 2016). As the colonized nations began to declare independence in the 1970's, BES maintained its interests in the Lusophone world.

However, the Espírito Santo Group almost collapsed after Portugal's revolution in 1974, when the bank was nationalized following the announcement of a legal decree which nationalized all the institutions holding national credit with their headquarters in Portugal. Prevented from operating in Portugal, the family managed to rebuild its finances by focusing on its business across borders until regaining control of the bank when the Portuguese government started privatizing companies in 1989 (Markets/Finance, 2014). The Group also founded Banco Internacional de Crédito (BIC), Espírito Santo Sociedade de Investimentos (ESSI) and Companhia de Seguros Tranquilidade (source: *Banco Espírito Santo website*). Nevertheless, the focus of the bank remained overseas throughout the 1990s and 2000s, with half of its total revenue “on a recurrent basis” being derived from its non-Portuguese commercial banking units: the bank had extended its activity to 25 countries and more than 650 branches in several sectors, which positioned BES as the second largest banking institution in Portugal (World Policy Journal, 2016). Many of these achievements were accomplished under the leadership of Ricardo Espírito Santo Silva Salgado, considered the most powerful businessman in Portugal and who led BES to achieve a market share of more than 20% by the end of 2013 (Economicotv, 2014). The profits gained helped the family set up dozens of nonfinancial businesses, where one of the family's most ambitious real estate projects in Portugal was Herdade da Comporta,

a piece of land located south of Lisbon, covered by rice fields and bordered by a 7-mile stretch of sandy beaches (World Policy Journal, 2016).

By the end of 2013, GES corporate structure was the following (Observador, 2014):

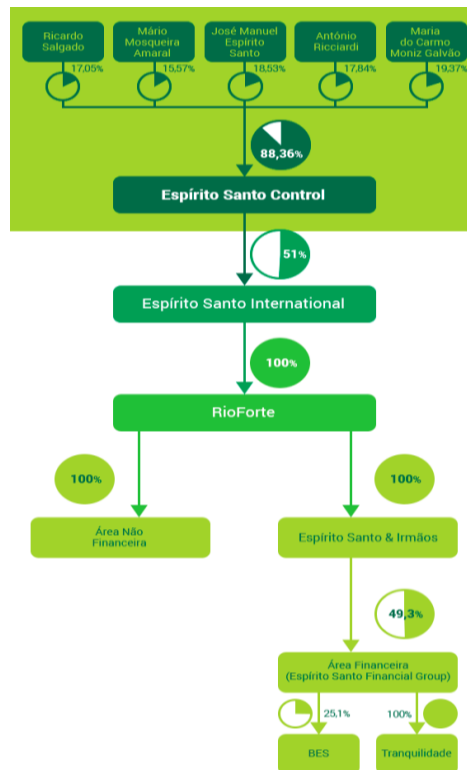


Figure 3 - GES corporate structure

### The downfall

After a century and a half at the centre of Portugal’s economy, Banco Espírito Santo entered into a spiral downfall in 2014 which would culminate with the bankruptcy of the bank and the Espírito Santo Group. However, despite how quickly the bank ended up in bankruptcy, the bank’s downfall started many years before.

The first hint of BES’s perilous financial state dates back to 2008 with the abrupt resignation of its auditor, PricewaterhouseCoopers (World Policy Journal, 2016). Three years later, following the international financial crisis of 2008, the Portuguese economy fell into a very concerning situation, which led to a request from the Portuguese government for financial aid to the Troika (term used to refer to the single decision group created by the European Commission, the European Central Bank and the International Monetary Fund to manage the bailout of Portugal, Cyprus, Greece and Ireland,

following the prospective insolvency caused by the financial crisis of 2008) in 2011 (Jornal de Negócios, 2011). Portugal collected a €78 billion funding to recapitalize the Portuguese economy, where €12 billion were allocated to the banking institutions (Diário de Notícias, 2011). Contrarily to the banks BPI, Caixa Geral de Depósitos and Millennium BCP, BES rejected the Troika's aid, which caused some surprise. It was well known that the financial institutions were in a precarious situation, but BES preferred to follow a different strategy instead of receiving financial aid from the Troika, which would result in a control dilution (Público, 2020).

By July 2014, the European Commission tallied the bank's losses at €3.5 billion. At the same time, BES Angola, 55% owned by BES, had given out €5 billion in loans with the controversial support of the Angolan government, which totalled more than 220% of the bank's actual deposits. As these actions went under scrutiny by the Portuguese authorities, Maka Angola, an investigative project to control corruption directed by Rafael Marques de Morais, alleged that senior officials of the Angolan bank profited while internal compliance emails from the Panamanian law firm Mossack Fonseca's database were released as part of the Panama Papers leak, revealing panic and concern over a Portuguese investigation into the alleged laundering of \$90 million from Angola's central bank through Banco Espírito Santo's London branch and "deposited to several accounts in Portugal". Names of several Portuguese businessmen were linked to the released emails, including Álvaro Sobrinho, chair of Banco Espírito Santo from 2002 to 2012, as suspected "beneficiaries" of a "fraud scheme" transfer. Portugal's parliamentary records show that five companies stood at the receiving end of \$1.6 billion in loans: Govest, Vaningo, Crossfund, Saimo, and Sociedade de Desenvolvimento de Angola. Álvaro Sobrinho claimed that both BES and the National Bank of Angola had all the necessary information about the loans and risks, adding that BESA's auditors, KPMG, "never raised any questions or reservations in relation to the accounts" (World Policy Journal, 2016).

As suspicious around BES grew, Banco de Portugal demanded an external audit of Espírito Santo International (ESI) (Visão, 2017). The audit detected a number of other serious irregularities within the company. While, on paper, the company maintained a respectable debt-to-equity ratio of 1.9 to 1, this number, however, did not include €1.7 billion of debt funnelled through off-balance sheet subsidiaries of Rioforte and Espírito Santo Financial Group (ESFG) (World Policy Journal, 2016). Despite the audit unveiling irregularities in ESI's accounts and serious concerns about Espírito Santo Group's financial situation, BES managers stated that the bank had enforced measures to save the bank from a potential default from ESI, being shielded with a €700 million provision from Banco de Portugal (Banco de Portugal, 2015). Finally, the report mentioned the problems of BES Angola and

the case of Espírito Santo Bank, the GES's bank in Florida (USA) which was fined in €1.2 million (Público, 2014).

As May 2014 came, so did the end of the road for BES, which collapsed in just a couple of months (ECO – Economia Online, 2019):

May 21st	<ul style="list-style-type: none"> <li>• CMVM authorizes a €1,045 million capital reinforcement for BES, following ESI's financial irregularities</li> <li>• The prospectus for the operation reports some irregularities in the accounts of the Espírito Santo Financial Group, owner of the bank and the Espírito Santo International (ESI), being the latter in a very concerning financial situation</li> <li>• The bank's shares behaviour shows no signs of any irregular fluctuations</li> </ul>
June 13th	<ul style="list-style-type: none"> <li>• BES's auditor, KPMG, unveils several irregularities on the bank's accounts</li> </ul>
June 20th	<ul style="list-style-type: none"> <li>• The family's top executive, Ricardo Salgado steps down as the chief executive officer after 2 decades of leadership, being replaced by Amílcar Morais Pires and Joaquim Goes</li> </ul>
June 24th	<ul style="list-style-type: none"> <li>• Local media reports some governance discussions within the group, as José Maria Ricciardi cuts ties with the Espírito Santo family</li> <li>• BES's shares price downfall begins</li> </ul>
July 3rd	<ul style="list-style-type: none"> <li>• Banco Espírito Santo's parent companies sought protection from creditors with the goal of protecting its clients' savings</li> </ul>
July 4th	<ul style="list-style-type: none"> <li>• Vitor Bento is appointed as the new president of BES</li> <li>• ESI requests controlled-management regime in Luxembourg as it is not capable of complying its payment obligations from its commercial paper sold to the branches of BES</li> </ul>
July 10th	<ul style="list-style-type: none"> <li>• BES share price drops significantly and the Espírito Santo Financial Group announces the suspension of all trading shares and bonds operations due to "material difficulties" of its largest shareholder, ESI</li> <li>• News regarding GES financial capabilities start circulating, as it is reported that Banque Privée Espírito Santo, in Switzerland, was struggling to pay back its investors the money they had invested in ESI</li> </ul>

	<ul style="list-style-type: none"> <li>• BES addresses declares that BES potential losses from its exposure to GES would not affect its financial and accounting ratios</li> </ul>
July 14th	<ul style="list-style-type: none"> <li>• Panama regulators seized ES Panama, a shell bank with just 15 employees chaired by Jorge Espírito Santo</li> </ul>
July 24th	<ul style="list-style-type: none"> <li>• The Espírito Santo Financial Group requests controlled-management regime, as it is unable to pay its debt</li> <li>• Ricardo Salgado is detained as a result of the Monte Carlo operation and released on €3 million bail in tax fraud and money-laundering probe</li> </ul>
July 30th	<ul style="list-style-type: none"> <li>• BES announces historic losses of €3.577 million, which is followed by the emergence of another hole of €1.500 million</li> </ul>
July 31st	<ul style="list-style-type: none"> <li>• Bank of Portugal alerts that there were indications of “seriously harmful acts of management” at the lender and that Banco Espírito Santo had failed to comply with the central bank directives</li> <li>• Investors start to panic and try to get rid of the bank’s shares</li> </ul>
August 1st	<ul style="list-style-type: none"> <li>• European Central Bank stops lending money to BES (announced one week later)</li> <li>• BES’s shares price drop by 50% while the market waits for an intervention in the bank</li> <li>• CMVM suspends the trading of BES’s shares</li> </ul>
August 3rd	<ul style="list-style-type: none"> <li>• BES is taken over in a €4.9 billion bailout financed by the Portuguese government and banks which divide the injected money in two: the “Bad Bank” remains for its shareholders who lose almost all the money that they invested in the bank, and the “Good Bank”, Novo Banco, a new company to whom the Bank of Portugal transferred most of BES’s assets and deposits</li> </ul>

### **The consequences of BES bailout**

As one of Portugal’s largest financial institutions, Banco Espírito Santo was critical to Portugal’s overall financial health. Hence, in order to try to save the Portuguese economy from a severe crisis, bankruptcy, bailout from Portugal’s central bank, and a parliamentary inquiry followed, which would result in a resolution plan where BES was split into a new “Good Bank” called Novo Banco S.A.,

which was designed to protect assets and was financed with a €4.9 billion euros capital injection from the Portuguese Resolution Fund, and a second bank that kept the “Banco Espírito Santo” name as well as its toxic debts (Markets / Finance, 2016). The intention of Banco de Portugal was to stave off further losses for Banco Espírito Santo’s creditors. But it was too little too late: credit-rating agency Moody’s later reduced some of the “good bank’s” bonds to junk status, the Portuguese banking system fell in a precarious state and, consequently, Portugal suffered a new economic crisis that would affect all other sectors (World Policy Journal, 2016).

Since the founding of Novo Banco in August 2014, the bank has been trying to recover the positioning that Banco Espírito Santo once had. However, despite all the attempts to disassociate the bank from BES’s legacy, Novo Banco keeps carrying the poor reputation of BES (Figure 4), which has posed a crucial obstacle in the recovery of the bank, that performs levels below its competitors in the Portuguese market (Figure 5).

Additionally, the resolution fund was unable to prevent the economic crisis which resulted from BES’s bankruptcy. After two years of restructuring for the banks that collected the aid of the Troika, the fall of BES meant that the evaluation that the international institutions did of Portugal’s financial situation in 2011 (when Portugal requested financial aid from the Troika) could have missed some crucial points which meant that the actual situation of the Portuguese economy could be much worse than it was previously thought.

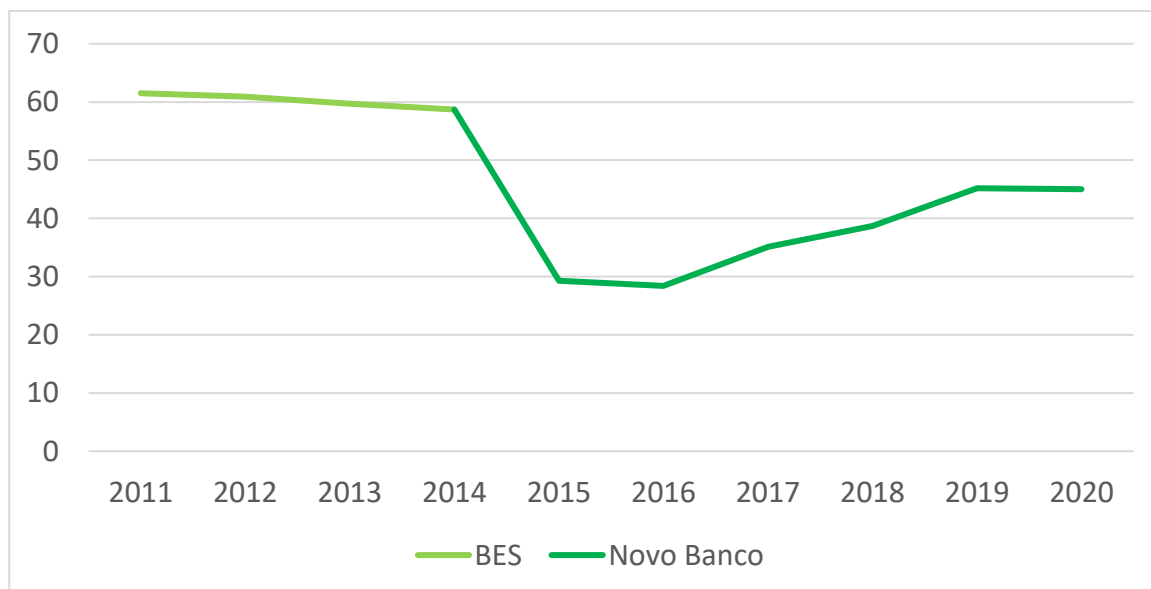


Figure 4 – BES / Novo Banco’s Brand Reputation

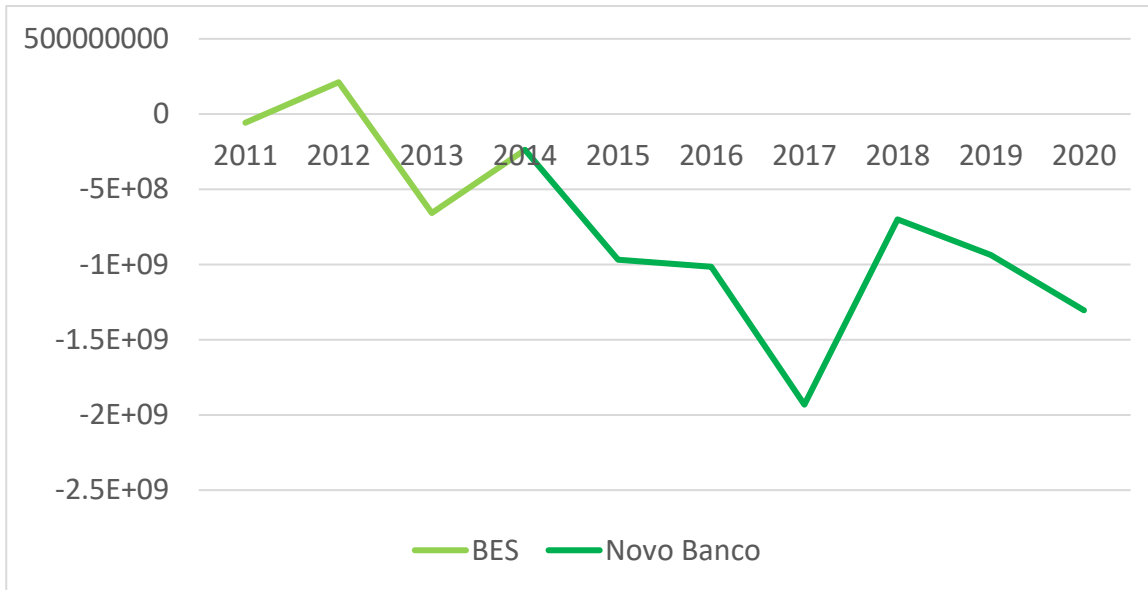


Figure 5 – BES / Novo Banco's annual EBIT

### 3.2 Data collection

#### 3.2.1 Primary Data

In order to analyse the impact of brand reputation on the financial performance of firms across different sectors and, more specifically, in the case study of Banco Espírito Santo, quantitative and qualitative data were collected. Data was retrieved from experts on brand reputation and the banking industry in Portugal. Additionally, information collected in the survey came from Portuguese consumers, investors, journalists and C-level/board directors.

Name	Role	Company
Pedro Tavares	Founder and Managing Partner	OnStrategy
Nuno Fernandes Thomaz	Former Executive Vice President	Caixa Geral de Depósitos
Francisco Viana	Former Brand and Marketing Director, HR Director	Caixa Geral de Depósitos
Miguel Bragança	CFO	Millenium BCP
José Bettencour	Former member of Board of Directors	Novo Banco and Santander

### 3.2.2 Secondary Data

Academic literature supported the analysis and complemented findings from primary data collection and analysis. Other information was collected from industry reports, press releases, companies' financial statements, and other renowned sources (e.g., Brand Finance, OnStrategy, Euronext, among others).

## 4. Results and Analysis

### 4.1 Test 1 – The impact of brand reputation following the Covid-19 outbreak

As explained in the Literature Review, brands are exposed to external factors that may lead them to risks, such as political, economic, social, technological, legal and environmental crises. Since 2000, the Portuguese economy was subject to 5 main crises, which impacted the performance of its companies: the economic and financial crisis in 2000, 2008, 2012 and 2014 and, more recently, the health, social and economic crisis in 2020 as a consequence of the Covid-19 outbreak (Figure 6).

The focus of this test lies on studying the differences in financial performance between companies with strong brands versus companies with vulnerable brands, by analysing the evolution of these companies' stock price over time, particularly, when the companies were under pressure from the crisis that emerged from Covid-19.



Figure 6 - Evolution of the stock price of PSI in 1999 – 2022

One starts from the premise that better perceived brands will outperform during a crisis caused by external factors. In order to access whether the premise is true, this paper analysed how 18 companies

listed in the PSI 20 in 2021 performed in the period that followed the Covid-19 outbreak. The companies were split in two groups based on the reputation of their brands (Appendix 1).

Figure 7 shows the results of the average stock price of each group:

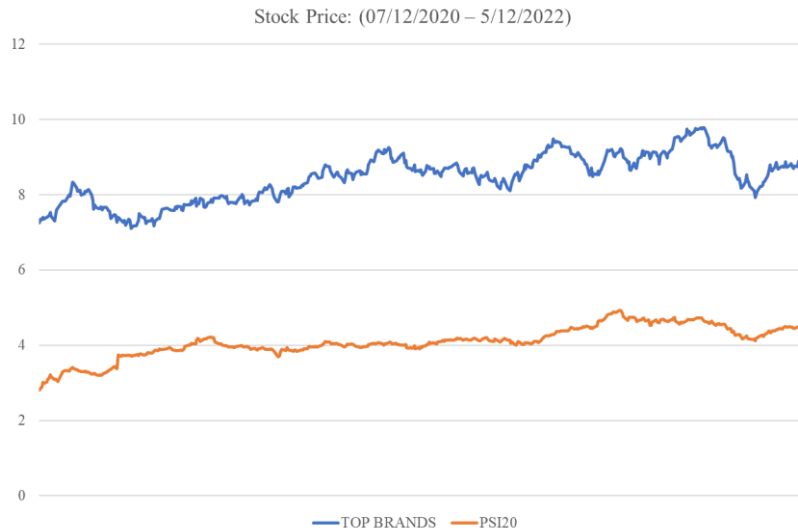


Figure 7 – Evolution of the average stock price of PSI 20 in 7/12/2020 – 5/12/2022

Analysing the results, this paper highlights two main conclusions regarding the difference in performance between the two groups of companies: firstly, brands with stronger reputations (named “Top Brands”) outperform the competition (named “PSI 20”) in terms of stock price constantly and, secondly, although both groups were affected and recovered from the external shock caused by the Covid-19 outbreak, the group of companies with stronger brand reputations appear to be more resistant to the impact of the crisis than the other group, as the recovery within the analysed period is faster and more significant in terms of the evolution of the average stock price than the least well-perceived brands.

The results collected in test 1 are aligned with a study conducted by the consulting company Brand Finance regarding the difference in financial performance between strong brands and less strong brands in the UK (Figure 8). Also in this test, the results led to the conclusions that companies with stronger brands or whose brand value outweighs its enterprise value outperform their competitors and manage to recover from crisis more easily.

**Shareholder return for strongly branded organisations vs FTSE** © Brand Finance Plc 2022  
(GBP Value of £1 invested)

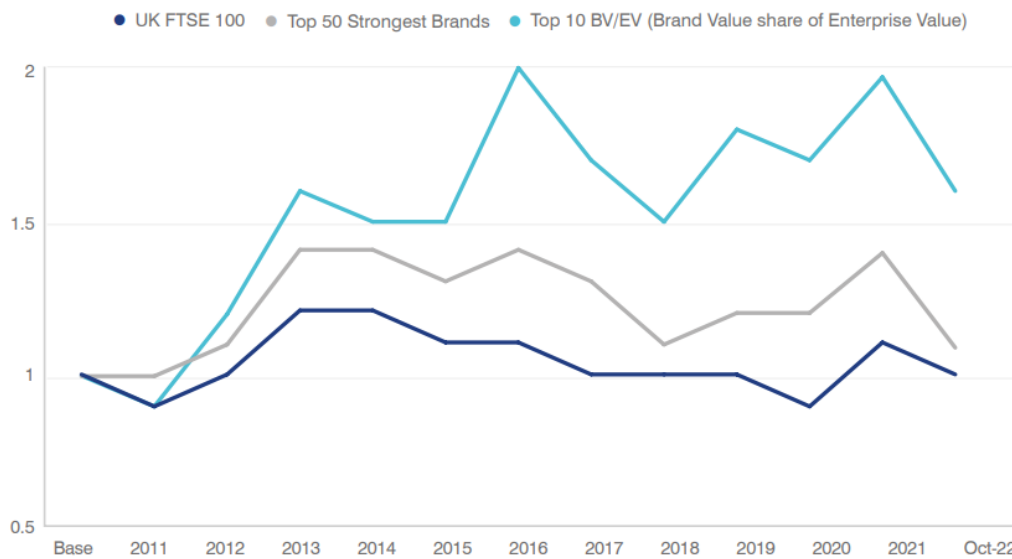


Figure 8 – Brand Finance study

The results collected indicate that brand reputation and strength is a differentiating factor in the performance of companies, impacting their financial results not only in the short-term but also in the long-term, offering companies the opportunity to build a competitive advantage and increase the probability of organizational survival despite the external shocks that impact them.

#### 4.2 Test 2 – How brand reputation impacts companies’ financial results

While companies cannot control the external environment variables, they have more control over internal factors of the firm, such as the attributes that contribute to the strength and reputation of brands. These attributes are managed internally and can be an opportunity for firms to build strong brands. But, if not managed properly, they may expose companies to life-threatening risks caused by a crisis in one or more reputational attributes, which will impact the performance of companies or, in the worst of cases, their ability to survive.

In order to understand the role of brands relative to financial performance of companies across different sectors in Portugal, this test analysis the perspective of both C-level/board directors and individuals on the subject.

In the first stage of the test, this paper analysed the role of brands and brand reputation on the financial value of firms through the perspective of C-level/board directors of companies in Portugal. The results collected (Table 2) reveal the relevance of brand strength for companies’ financial value for each

sector. The first conclusion of this test is that brand strength is relevant for the majority of the ten sectors being studied in this test, resulting in an average of 76% impact on the financial value of firms. However, it is noticeable that the impact of brand strength on the financial value of a business varies across sectors. The Luxury sector is the most dependent one on the strength of brands, having a 93% impact on business value, followed by Technology, Banking and Health Care sectors, where the impact of brand strength is 89%, 82% and 81%, respectively. The strength of a brand is also relevant for the FMCG, Telecom and Leisure sectors while, on the contrary, the impact of brand strength in the business value is minor for the Energy, Retail and Insurance sectors, where the results reveal an impact of 66%, 64% and 53%, respectively.

<b>Sector</b>	<b>Impact on the Financial Value</b>
Banking	82%
Insurance	53%
Energy	66%
Telecom	77%
Technology	89%
Retail	64%
FMCG	78%
Health Care	81%
Leisure	75%
Luxury	93%
<b>Average</b>	<b>76%</b>

Table 2 – Impact of brand strength on the financial value of a business

Following a first conclusion that the strength of a brand has a strong impact on the financial value of a firm, this investigation proceeded by understanding which controllable dimensions of a brand impact its strength across the different industries. The answers collected from the interviewees were grouped in four dimensions: Reputation, Experience, Activation and Financial Health. The interviewees weighed-in the impact of each of the previous four dimensions on the construction of a brand's strength and the results demonstrate that Reputation and Experience are the most relevant dimensions to determine the strength of a brand in the majority of the sectors (Table 3).

<b>Sector</b>	<b>Reputation</b>	<b>Experience</b>	<b>Activation</b>	<b>Finance</b>
Banking	31%	28%	17%	24%

Insurance	26%	34%	16%	24%
Energy	29%	31%	22%	18%
Telecom	28%	28%	23%	21%
Technology	30%	24%	25%	21%
Retail	24%	26%	34%	16%
FMCG	25%	29%	29%	17%
Health Care	32%	35%	16%	17%
Leisure	28%	35%	17%	20%
Luxury	29%	21%	22%	28%
<b>Average</b>	<b>28%</b>	<b>29%</b>	<b>22%</b>	<b>21%</b>

Table 3 – Weight of each brand dimension on the financial value of a business

Focusing on Reputation, the interviewees assessed this dimension as contributing to the strength of the brand by 28% and to the business value by 22%, on average. The Health Care, Banking and Technology sectors stand out as the ones where brand reputation is more relevant, with an impact on brand strength of 32%, 31% and 30%, and an impact on business value of 26%, 25% and 27% impact on business value, respectively. The Technology sector is only matched in this last matter by the Luxury sector, where Brand Reputation has an impact of 29% on brand strength and an impact of 27% on business value.

After analysing the view of C-level / board directors on the impact of brand strength and brand reputation on the financial value of companies, the test progressed to the second stage, where a second survey targeting Portuguese citizens was distributed with the aim of understanding how people develop brand perceptions for each of the ten sectors being analysed. In this survey, people were asked how much weight they allocate to each reputation attribute when developing perceptions of brands in these sectors. The nine reputational attributes used in this survey were chosen based on the Brand Strength Index (ISO 20671): Quality of Products, Quality of Services, Innovation and Differentiation, Citizenship & Social Role (divided in “Environment” and “Citizenship”), Workplace & Wellbeing, Governance & Ethics, Leadership & Vision and Prosperity.

The results collected (Table 4) lead to the conclusions that, firstly, the emotional reputation dimension outweighs the rational one in the majority of the sectors and, secondly, focusing on the rational reputational attributes, the Quality of Products, Quality of Services, Citizenship & Social Role and Innovation & Differentiation are the most important reputational attributes for the majority of sectors, with average weights on the construction of brand perceptions of 23%, 18%, 17% and 16%,

respectively. These are followed by the Governance attribute, which only has an average weight of 10%.

	BANKS	INSURANCE	ENERGY	TELCOM	TECHNOLOGY	RETAIL	FMCG	HEALTH	LEISURE	LUXURY	AVERAGE
EMOTIONAL	38%	31%	36%	61%	66%	57%	65%	42%	63%	74%	53%
RATIONAL	62%	69%	64%	39%	34%	43%	35%	58%	37%	26%	47%
PRODUCTS	15%	18%	16%	20%	23%	29%	21%	21%	24%	38%	23%
SERVICES	17%	22%	19%	21%	18%	17%	13%	21%	26%	8%	18%
INNOVATION	11%	11%	12%	19%	23%	18%	20%	11%	15%	21%	16%
ENVIRONMENT	7%	8%	13%	10%	8%	7%	9%	6%	7%	6%	8%
CITIZENSHIP	10%	10%	12%	10%	9%	8%	8%	11%	6%	6%	9%
WORKPLACE	8%	5%	6%	4%	3%	4%	4%	13%	11%	3%	6%
GOVERNANCE	18%	10%	10%	9%	8%	7%	9%	11%	7%	6%	10%
LEADERSHIP	8%	8%	8%	4%	5%	6%	8%	3%	3%	10%	6%
PROSPERITY	6%	8%	4%	3%	3%	4%	8%	3%	1%	2%	4%

Table 4 – Weight of each attribute to develop perceptions of brands per sector

Furthermore, one may understand that the weight that each factor has on brand dimension varies depending on the sector. Product and Service quality are the most relevant factors in the majority of sectors, while Innovation is especially relevant in Technology, where people consider Innovation as the most important attribute to build perceptions about brands, tied with Product Quality, and in the Luxury and FMCG sectors, where this attribute weighs-in 21% and 20% in the construction of perceptions of brands, respectively.

Nevertheless, there are some exceptions: in Banking, the attributes mentioned above are undermined by Governance, which has an impact of 18% on brand reputation. After verifying the results with experts on brand strength, the relevance of this last attribute for the banking sector can be explained by the fact that people feel insecure about losing their money when trusting a bank to keep and manage their savings. Faith in the institutions and its people is definitely a determinant and relevant factor.

By outlining which dimensions are more essential for the development of perceptions of brands in each sector, one can identify essential attributes for a company to strengthen its brand and outperform competitors. There are also dimensions which require special attention from managers, as crises relating to various attributes may cause disparate impacts on how people perceive a brand: the higher the weight of an attribute in the construction of perceptions, the higher the risk that a potential crisis associated with that attribute will damage the reputation of the brand and financial results of the company. Hence, analysing the banking sector, a crisis pertaining to the Governance attribute (18% impact on brand reputation) will expose the reputation of the brand and the financial health of the company to a higher risk than if the company were part of the FMCG sector (9% impact on brand reputation).

This last idea was explored in a third survey, targeting individuals: using a scenario-building case, people were exposed to different crises in different attributes and sectors. Removing the emotional component of brand reputation, the results collected (Table 5) demonstrate that if a brand suffers an internal crisis in one the most relevant reputational attributes of the sector, it is highly probable that it will impact the way the public perceives the brand on the other attributes. On the other hand, a similar crisis affecting the same attribute may have little impact on how people perceive the brand in the other attributes and on the performance of the company if this attribute is not as relevant for developing brand perceptions in this sector.

SECTOR	IMPACT	ENERGY	BANKING	FMCG
CRISIS		GOVERNANCE*	GOVERNANCE	PRODUCTS & SERVICES
PRODUCTS & SERVICES	NEGATIVE	6.82%	94.74%	-
	NO IMPACT	93.18%	5.26%	-
INNOVATION	NEGATIVE	20.45%	86.84%	89.47%
	NO IMPACT	79.55%	13.16%	10.53%
WORKPLACE	NEGATIVE	37.73%	97.37%	68.42%
	NO IMPACT	62.27%	2.63%	31.58%
CITIZENSHIP	NEGATIVE	50.00%	97.37%	73.68%
	NO IMPACT	50.00%	2.63%	26.32%
GOVERNANCE	NEGATIVE	-	-	86.84%
	NO IMPACT	-	-	13.16%
LEADERSHIP	NEGATIVE	42.27%	100.00%	89.47%
	NO IMPACT	57.73%	0.00%	10.53%
FINANCIAL PERFORMANCE	NEGATIVE	43.18%	94.74%	84.21%
	NO IMPACT	56.82%	5.26%	15.79%

Table 5 – Impact of a crisis associated with an attribute on the remaining ones (\* Governance is not a central attribute for the energy sector)

#### 4.3 Test 3 – Banco Espírito Santo case study

In the third test, the focus of this dissertation lies on the analysis of a governance scandal in one the largest banking institutions in Portugal, Banco Espírito Santo. This test intends to assess the impact of brand reputation on the financial performance of BES and its competitors, through financial information collected from the banks' financial statements (Appendixes 4 and 5), regulatory institutions and investment platforms, and information regarding the annual brand reputation of each bank within the period between 2011 and 2020, provided by On Strategy (Appendixes 6 to 15).

Figure 9 demonstrates the evolution of brand reputation scores of each bank within the analysed period. Looking at the data related to the banks' brand reputation score, reputations evolve over time,

usually registering some small changes, with the exception of BES. This is not surprising as significant changes in the perception of brands are usually caused by a significant shock, as the governance scandal of BES in 2014.

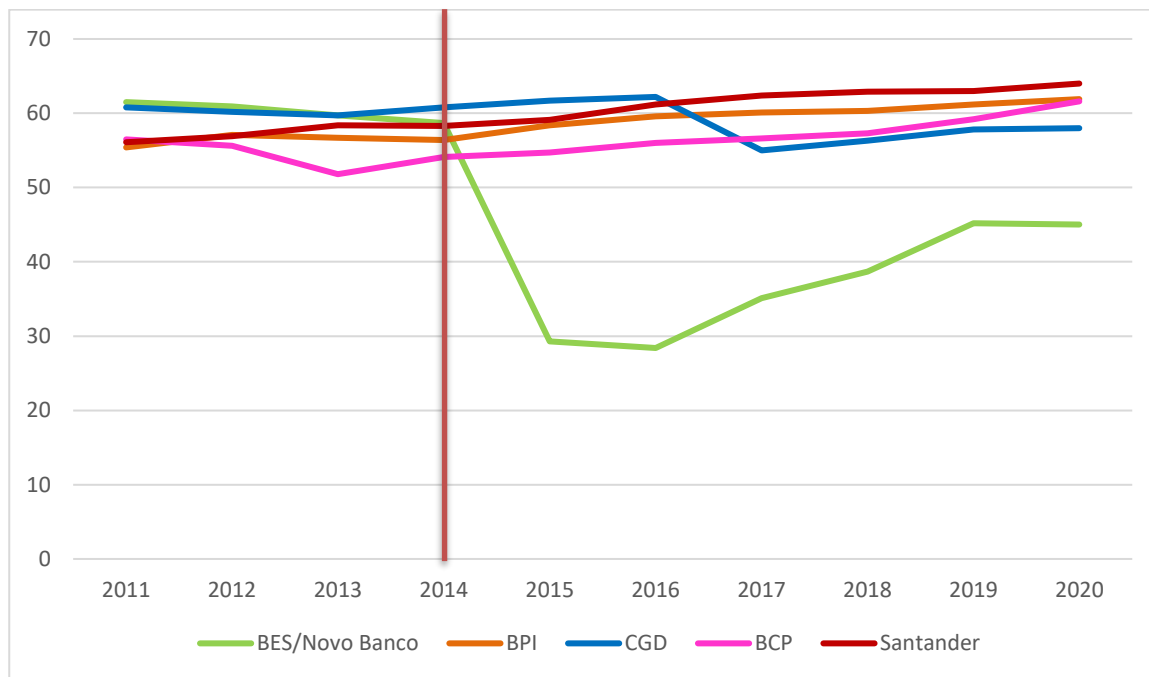


Figure 9 – Evolution of brand reputation scores in the banking sector in 2011 – 2020

#### 4.3.1 BES – Novo Banco

The data collected for the brand reputation score of BES indicates that prior to the governance crisis in 2014, its reputation was fairly constant, being understood by most people as a leader in banking in Portugal: the bank was the best perceived brand of the sector and ranked as the second strongest competitor in terms of financial results, only ranking behind the Spanish bank Santander Totta (Appendixes 4 and 5). In the following years, BES’s financial performance registered some volatility, which was followed by a small decline in its reputation. The bank’s reputation decreased from 61.5 points to 58.7 until 2014, turning from a brand perceived as moderately strong to a vulnerable one. This is the first year where stakeholders do not identify BES as the strongest brand in the market, although it was only second to Caixa Geral de Depósitos (CGD). This decrease in brand reputation might be associated with the economic crisis that Portugal faced following the international financial crisis of 2008, which led to the intervention of the Troika in the country’s economy, particularly, in

the financial institutions' management (different from BPI, BCP and CGD, BES rejected the Troika's aid). The governance crisis that outbroke amid the summer of 2014 is reflected in the results of 2015.

Between 2014 and 2015, the brand reputation of BES (from 2015 onwards is substituted by the brand Novo Banco) drop by nearly 30 points. The governance crisis that affected BES impacts immediately the way citizens perceive the brand: following a first decrease of 2.3 points in 2014, in 2015 the reputation of the bank in terms of Governance & Ethics decreases from 54.7 points to 31, immediately followed by another decrease to 23.2 in 2016 (Appendix 13). But, as explained in test 2, Governance is one the most relevant attributes for the development of perceptions in the banking sector and, consequently, a crisis in this nature will likely have a strong impact in the brand's global reputation, as well as, in the way the brand is perceived with regard to the remaining attributes:

	<b>2014</b>	<b>2015</b>	<b>Difference</b>
<b>Reputation Global Score</b>	58.7	29.3	-29.4
Emotional Reputation	63.8	32	-31.8
Rational Reputation	55.5	27.6	-27.9
Product & Services	55.3	26.3	-29.0
Innovation & Differentiation	57	26.3	-30.7
Workplace & Wellbeing	58.3	24.3	-34.0
<b>Citizenship &amp; Social Role</b>	52.7	26.7	-26.0
Governance & Ethics	54.7	31.0	-23.7
Leadership & Vision	58.3	24.3	-34.0
Business Performance	53.8	20.7	-33.1

Table 6 – The impact of BES's scandal in its brand reputation

The crisis impacts the way people perceive the bank, but also impacts its financial results: contrarily to small gains/losses in terms of reputation, a large gain/loss on reputation means a significant change in the financial performance of the company, as it is the case of BES / Novo Banco.

Following the crisis and decrease of reputation, one of the consequences of most concern was the ability of the bank to remain solvent and finance its activities: BES / Novo Banco clients lost confidence in the bank to hold and manage their savings, resulting in a loss of deposits and market share between 2012 and 2017 (Figure 10). The decline of the bank's balance sheet meant that it lost capacity to finance its activities compared to competitors. Consequently, the loss of deposits and market share and restructuring process of the bank impacted financial results, which translated into significant losses.

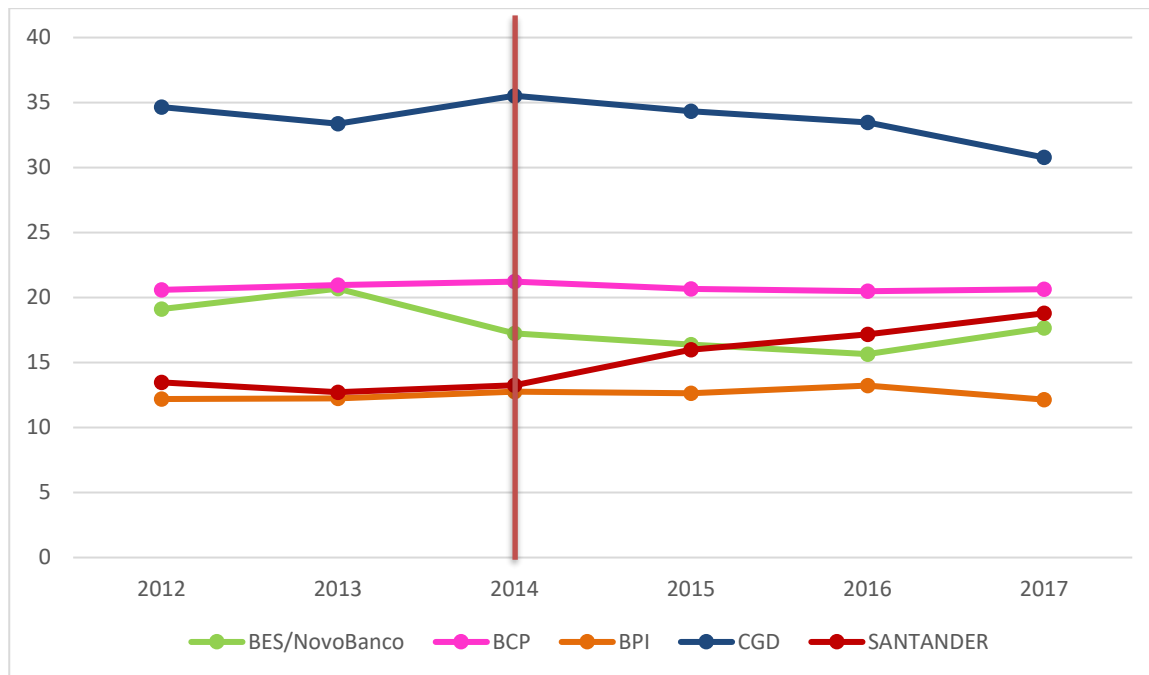


Figure 10 – Clients deposits market share (market only accounts the banks being studied)

The results that follow demonstrate that the drop of the bank's brand reputation significantly impacted its deposits between 2012 and 2017 and, consequently, financial results, such as its EBIT:

Dependent Variable	Deposits Market Share	EBIT
Brand Reputation Global Score	0.090* (0.036)	33,857,542.000* (15,617,248.000)
Constant	13.702*** (1.723)	-2,301,749,343.000** (743,957,386.000)
Observations	6	6
R2	0.608	0.540
Adjusted R2	0.510	0.425
Residual Std. Error	1.292 (df = 4)	557,847,340.000 (df = 4)

F Statistic	6.200* (df = 1; 4)	4.700* (df = 1; 4)
Note:	*p<0.1; **p<0.05; ***p<0.01	

The impact of the crisis resulted in “termination” of the brand BES, which only kept the “toxic” assets, while the other assets were transferred to Novo Banco. However, BES’s reputation continued to follow the assets transferred, which affected people’s perception of Novo Banco. This resulted in weaker brand reputation and financial performance, as Novo Banco is still trying to recover from BES crisis.

Figure 11 and Table 7 demonstrate how the brand reputation and EBIT of Novo Banco evolved:

	2014	2015	2016	2017	2018	2019	2020
<b>Novo Banco</b>	58.7	29.3	28.4	35.1	38.7	45.2	45.0

Table 7 – Reputation Global Score of Novo Banco

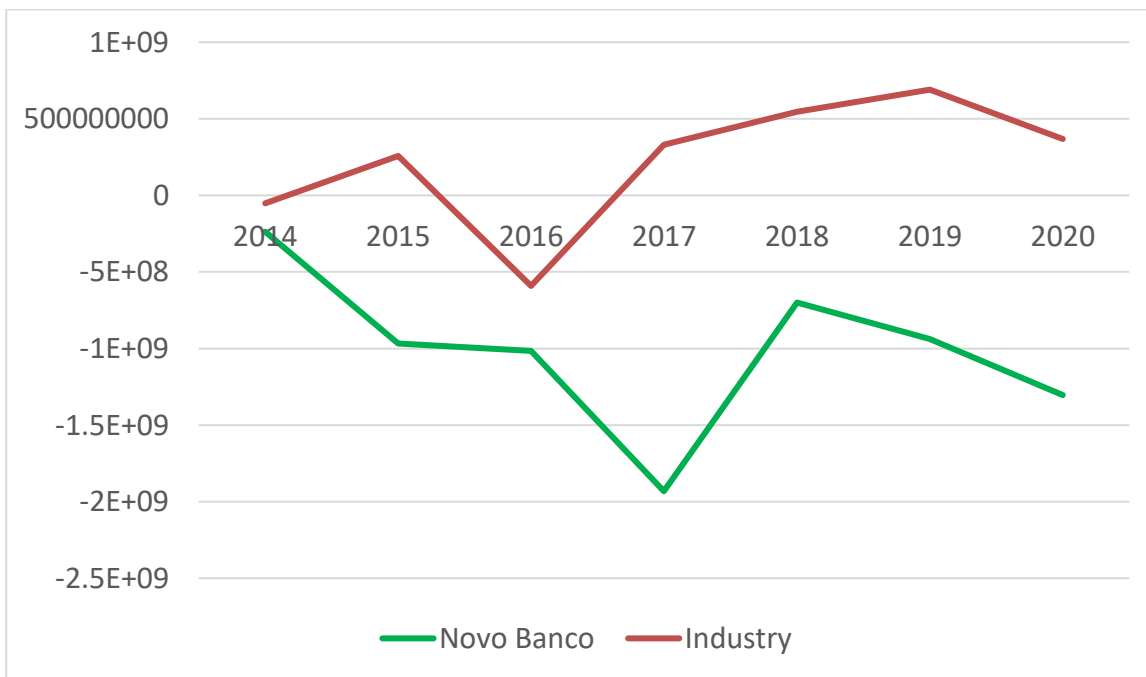


Figure 11 – Evolution of Novo Banco’s EBIT compared to the average of its competitors (in Euros)

As the previous results demonstrate, the evolution of Novo Banco’s brand reputation is aligned with the evolution of its financial results, with both indicators falling through the years that followed the crisis of BES. The brand starts recovering and increasing its brand reputation in 2017, reaching scores above the 40 points from 2019 onwards, which means that the brand is no longer perceived as weak,

though its reputation is vulnerable. This improvement in how the brand is perceived is aligned with an increase of deposits and market share, with both EBIT and EPS registering the first signs of growth in 2018. 2019 is the first year Novo Banco ends the year with positive earnings per share.

However, it is noticeable that, even with competitors suffering losses as a consequence of the economic crisis that followed the BES bankruptcy and its resolution plan, these competitors were able to mitigate the impact of the crisis on their results and have been able to recover faster. Competitor banks' reputations remained strong and protected them from severe losses, which is aligned with conclusions of test 1. On the other hand, Novo Banco has struggled to recover as its reputation was damaged by the BES crisis.

Despite the small recovery, both brand reputation and financial results of Novo Banco are ranked below its competitors, being still dependent on the financial aid from the Portuguese government. If the bank ever recovers to be as competitive as BES was before the crisis, it will take many years to do so, as the brand is poorly perceived by the public.

#### **4.3.2 Another case of a governance crisis**

A similar governance crisis happened in the energy sector in Portugal in 2016 with EDP, involving the company's leaders in a corruption case. However, contrarily to what happened with BES, EDP's brand reputation (Table 8) and financial performance did not suffer a significant impact from it, despite the public being increasingly more demanding with the governance and ethics of firms. This may be due to the fact that it is not a central attribute to build perceptions of a brand as it is in the banking sector (which means that it will only have a minor effect on the reputation of the brand, as demonstrated in test 2). Furthermore, EDP's brand is stronger and better perceived than BES was prior to the crisis, which means that the brand is better protected to face these crises. Despite having some momentous impact on performance of the firm, such as in the stock price in 2016 (Figure 12), brand reputation keeps increasing, while financial performance registered a minor drop in EPS but remained positive (Figure 13).

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>EDP</b>	59.5	60.7	60.6	58.4	60.4	63.8	66.3	67.9	69.9	71.8

Table 8 – Reputational Global Score of EDP

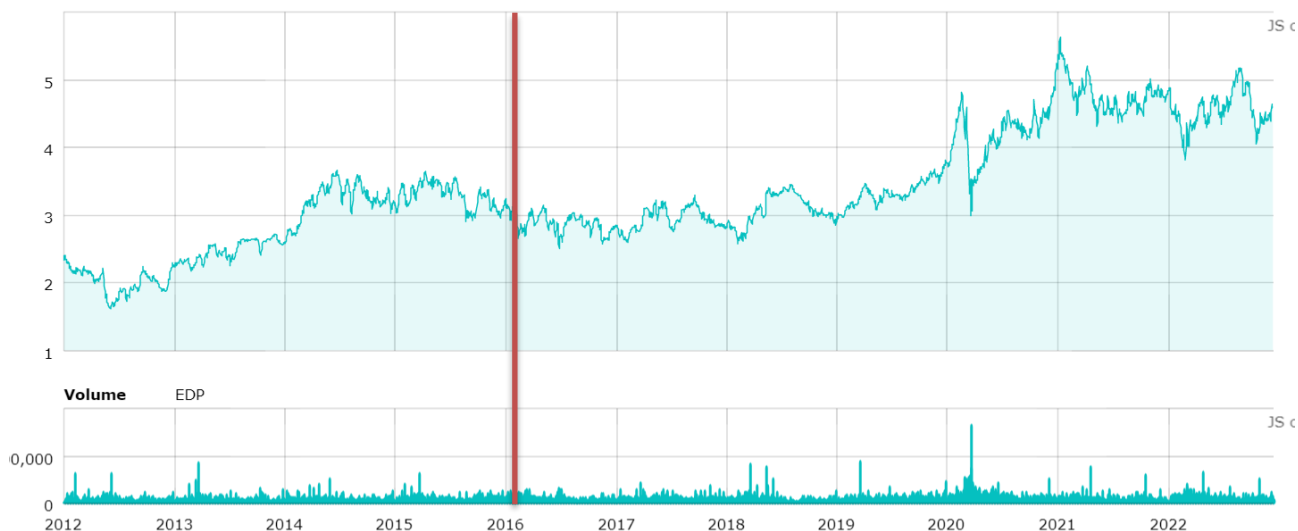


Figure 12 – Evolution of EDP’s Stock Price

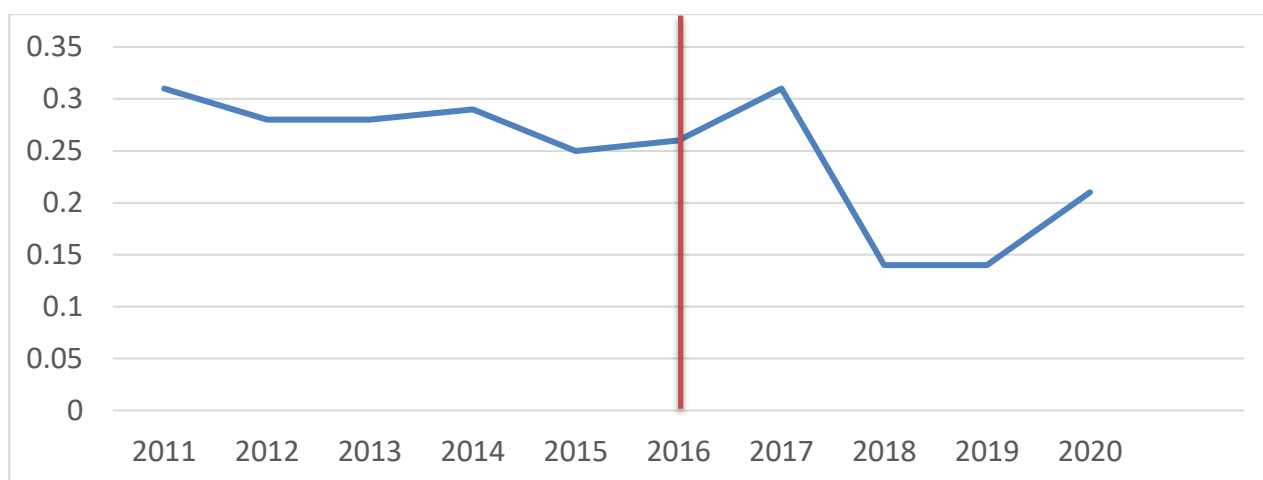


Figure 13 – Evolution of EDP’s Earnings per Share

### 4.3.3 Impact on the financial banking industry

In accordance with the research of Hawawini, Subramanian & Verdin, 2003, firms’ performance is not only impacted by business specific factors but also by industry effects. In this case, following BES’s bankruptcy, the Portuguese economy suffered a new economic crisis which affected, particularly, the banking sector. Additionally, there was a drop in confidence in the Portuguese banks, because BES’s situation signalled that it was possible that the sector was in a worse situation than what was previously thought, when the Troika intervened.

As a result of the economic crisis that affected the sector, the remaining banks also suffered an adverse impact on financial performance, registering financial losses in 2016, namely in EBIT and EPS results (Appendixes 4 and 5).

The Portuguese banks Caixa Geral de Depósitos and Millenium BCP were the most affected by the economic crisis that ravaged the sector, registering losses in the years that followed. The downfall can be explained by the fact that both CGD and Millenium BCP were banks that had already shown that their situations were not ideal when they requested help from the Troika and because their brands were not as protected as BPI (owned by the Spanish company CaixaBank Group) and Santander Totta, which were helped by their international operations.

Additionally, following BES's scandal, CGD and Millennium were impacted by the same mistrust faced by other Portuguese institutions. Particularly, CGD, as a state-owned company, was more vulnerable to the economic crisis and its reputation might have been affected by the role of the Portuguese government in resolving the BES crisis, which provoked negative reactions. In the case of Millennium, its stock price started dropping following announcement of BES's bankruptcy (Figure 14). To protect their brands and financial sustainability, Portuguese banks regularly disclosed information regarding their financial situations and on the restructuring progress plan established by the Troika. This proved critical for distinguishing themselves from BES and showing the public that these banks were trustworthy and recovering.



Figure 14 – Evolution of BCP's stock price in 01/01/2014 – 31/12/2015

On the other hand, despite suffering minor losses, the international banks Santander Totta and BPI not only managed to reduce the impact of the crisis, but were able to recover faster than Portuguese

competitors. They grew brand reputation to the top of the Portuguese market and raised their financial performance. Consequently, between 2014 and 2016, the international banks registered the highest growth in terms of brand reputation and deposits market share (Figure 15), reaching 2017 as the only brands whose reputation scored above 60 points.

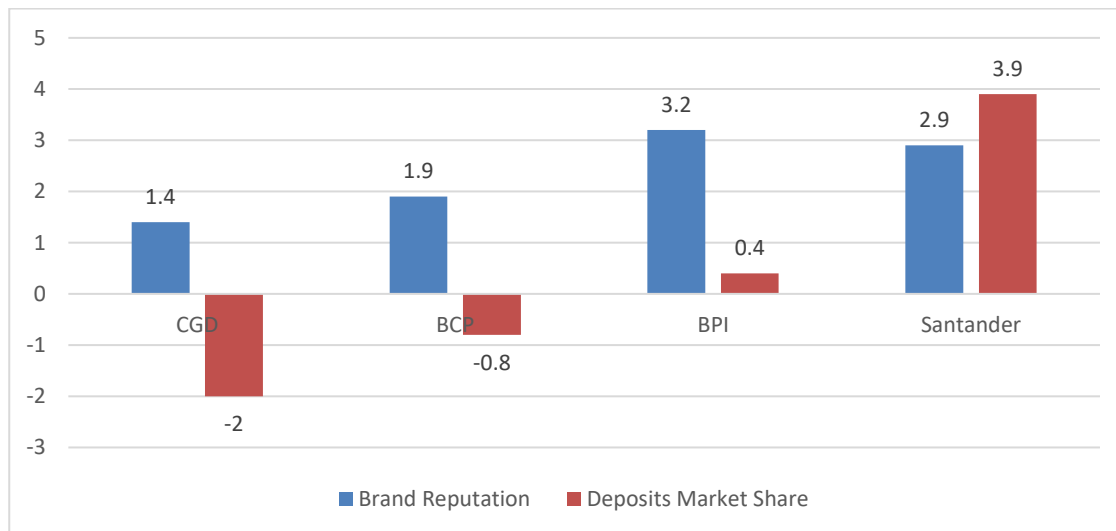


Figure 15 – Variation in brand reputation and deposits market share between 2014 and 2016

The previous results are aligned with the conclusions of test 1, supporting the argument that businesses with stronger brand reputation are more resistant to crises and recover faster than their competitors. Consequently, it is not surprising that Santander Totta and BPI, whose reputation increased the most, were the banks that recovered fastest from the crisis and managed to register the highest growth in deposits and market share in the years that followed BES bailout. The increase in brand reputation and deposits enabled the international banks to become the best perceived brands in banking in Portugal and to outperform some of the biggest players in the market (Table 9).

	Brand Reputation	EBIT (in Euros)	EPS (in Euros)
<b>Santander Totta</b>	62.4	579066000	0.34
<b>BPI</b>	60.1	243026000	0.007
<b>Millenium BCP</b>	56.6	318491000	0.014
<b>Caixa Geral de Depósitos</b>	55.0	184309926	0.08
<b>Novo Banco</b>	35.1	-1931697000	-0.39

Table 9 – Results of the banking sector in 2017, per company

## 5. Conclusion

This dissertation analysed how brand reputation is impacted by internal and external effects, and how it impacts the financial performance of companies in the Portuguese market, particularly, in the banking sector. The quantitative and qualitative data collected for this research led to the results that made it possible to retrieve some important conclusions and learnings for the management of brand reputation and strength.

Through investigations conducted in the course of working on this thesis, it was concluded that brand reputation is a relevant factor for financial performance of companies across various sectors, with an average impact of 76% on the financial value of businesses, and a potential source of competitive advantage, especially in sectors such as banking. This conclusion is sustained by the three tests conducted which showed that companies whose brand reputation is stronger outperform their competitors in the long term. It was also concluded that, in a dynamic environment affected by external shocks, companies with stronger brand reputations are able to protect their performance more efficiently while recovering faster from crises than competitors, as was shown for the Covid-19 case in Portugal and the BES case study.

Additionally, this investigation enabled us confirm for which sectors brand reputation is most relevant for the financial results. It is most relevant when attributes have the greatest impact on reputation. This analysis also revealed that the most relevant attributes for developing perceptions about a brand are also the ones that can most damage a brand and a business. This requires brand managers to be even more careful protecting the perception of the brand with respect to these particular attributes.

## 6. Limitations and Future Research

The conclusions presented were obtained through collecting quantitative and qualitative data and the analysis of the performance of 6 banks operating in Portugal between 2011 and 2020: Banco Espírito Santo, Novo Banco, Banco Português de Investimento, Caixa Geral de Depósitos, Millennium BCP and Santander Totta.

In the analysis of the Banco Espírito Santo case study, it was possible to assess information regarding the financial performance of each bank in Portugal. However, the performance of the Portuguese banking sector is highly dependent on the Government and local political forces, which may impact the results presented by each bank. The difficulty of finding data concerning banks' stock prices to study its relationship with brand reputation was a limitation, since only Banco Espírito Santo and Millennium BCP were listed companies.

Another limitation relates to the third survey of test 2, where the interviewees were presented with a scenario-based survey. Even though this test did not use the name of real brands to restrict bias from emotional attachments to a brand, it used real-life cases, so there is the possibility that some of the interviewees may have recognized the cases or associated them with real brands which likely caused some bias in the results obtained.

Furthermore, as brands and their reputations are constantly evolving, future research should focus on continuing to assess changes in the weight of each attribute for the development of people's perceptions about brands, as any changes may alter reputation and brand management. Moreover, further research should extend this analysis to smaller brands and add new stakeholders to the research panel.

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## 8. Appendix

### Appendix 1 – Listed companies in PSI 20 in 2021

PSI 20	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AVERAGE	62.8	62.0	61.2	62.9	64.0	65.2	63.9	63.5	63.6	64.1	63.9
EDP	56.9	58.3	59.4	57.2	60.0	64.4	68.6	70.9	73.0	74.6	74.3
GALP ENERGIA	56.1	61.0	58.5	70.5	70.6	69.9	69.9	72.5	74.4	74.8	74.0
SONAE	73.6	68.4	67.2	71.8	68.6	71.5	71.0	69.2	67.3	70.6	73.3
CTT	65.1	66.0	67.1	71.3	75.8	76.8	76.7	74.4	73.7	72.1	73.2
NAVIGATOR COMPANY	67.1	65.4	60.3	62.7	64.0	64.6	66.8	68.0	69.2	70.9	73.1
NOS					63.8	63.6	64.0	64.8	65.2	64.6	73.1
JERONIMO MARTINS	78.2	67.1	70.3	68.4	68.5	70.9	72.5	72.8	70.7	70.2	72.6
CORTICEIRA AMORIM									63.8	66.0	70.0
EDP RENOVAVEIS	57.5	59.3	59.4	60.5	60.3	60.6	60.5	59.6	58.9	61.0	69.7
MILLENNIUM BCP	56.5	55.6	53.0	54.5	56.2	58.5	56.7	57.9	59.8	62.6	63.8
NOVA BASE	63.9	64.7	64.4	60.7	62.0	61.7	58.2	56.2	60.7	58.0	60.9
SEMAPA	63.3	62.5	59.8	60.4	60.0	61.5	60.4	60.0	64.3	60.7	60.7
ALTRI	66.5							56.5	56.5	56.8	56.8
REN	53.8	54.2	54.2	53.9	58.4	58.6	56.8	54.7	55.5	55.0	55.0
MOTA ENGIL	58.7	61.2					49.1	52.0	55.4	57.3	52.6
F RAMADA									48.6	50.3	50.3
IBERSOL											50.1
PHAROL											47.2

### Appendix 2 – Research panel (C-level / board directors)

	Enterprises	Large	Medium	Small	Micro
1. Lisboa	1036	72	169	267	523
2. Porto	867	59	138	211	424
3. Braga	413	26	63	102	212
4. Setúbal	392	23	57	102	207
5. Aveiro	344	17	56	90	191
6. Leiria	245	13	34	66	149
7. Santarém	206	12	29	56	128
8. Faro	209	9	28	54	122
9. Coimbra	192	9	26	51	116
10. Viseu	183	8	22	49	104
11. Madeira	147	7	18	39	83
12. Açores	121	6	12	31	68
13. Viana do Castelo	113	7	12	27	67
14. Vila Real	109	6	11	26	66
15. Castelo Branco	104	5	9	25	63
16. Évora	99	4	9	24	62
17. Guarda	92	4	8	22	58
18. Beja	63	3	6	15	39

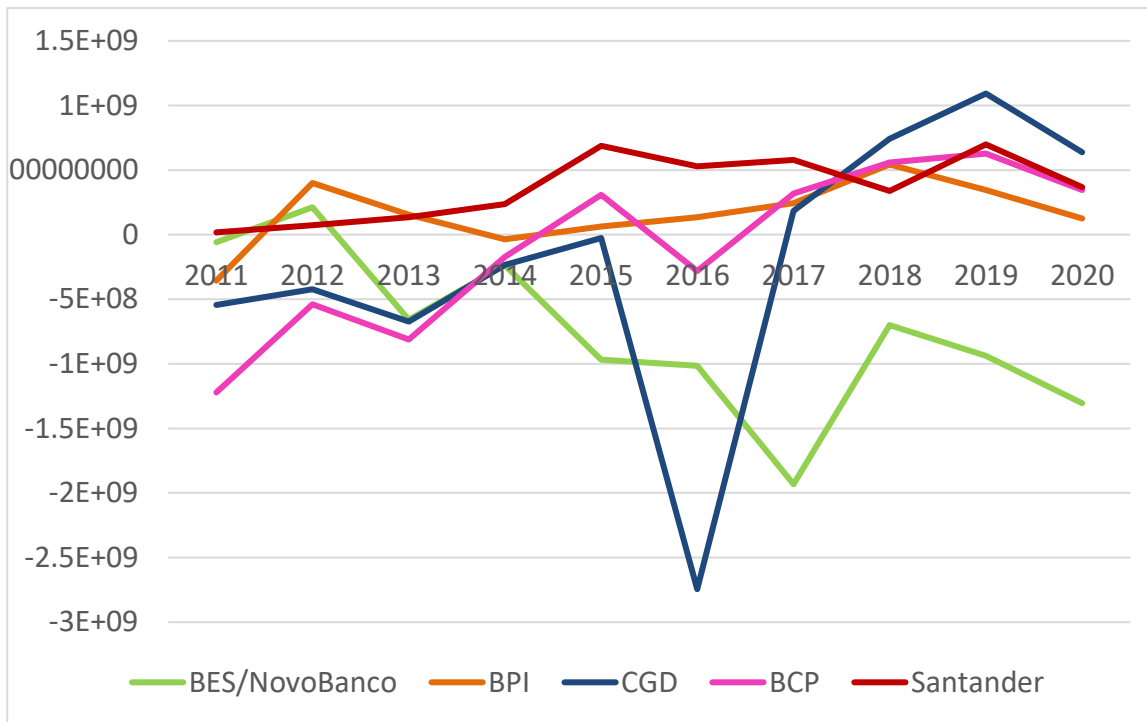
<b>19. Bragança</b>	57
<b>20. Portalegre</b>	52
<b>Total</b>	<b>5044</b>

2	6	12	37
2	5	8	36

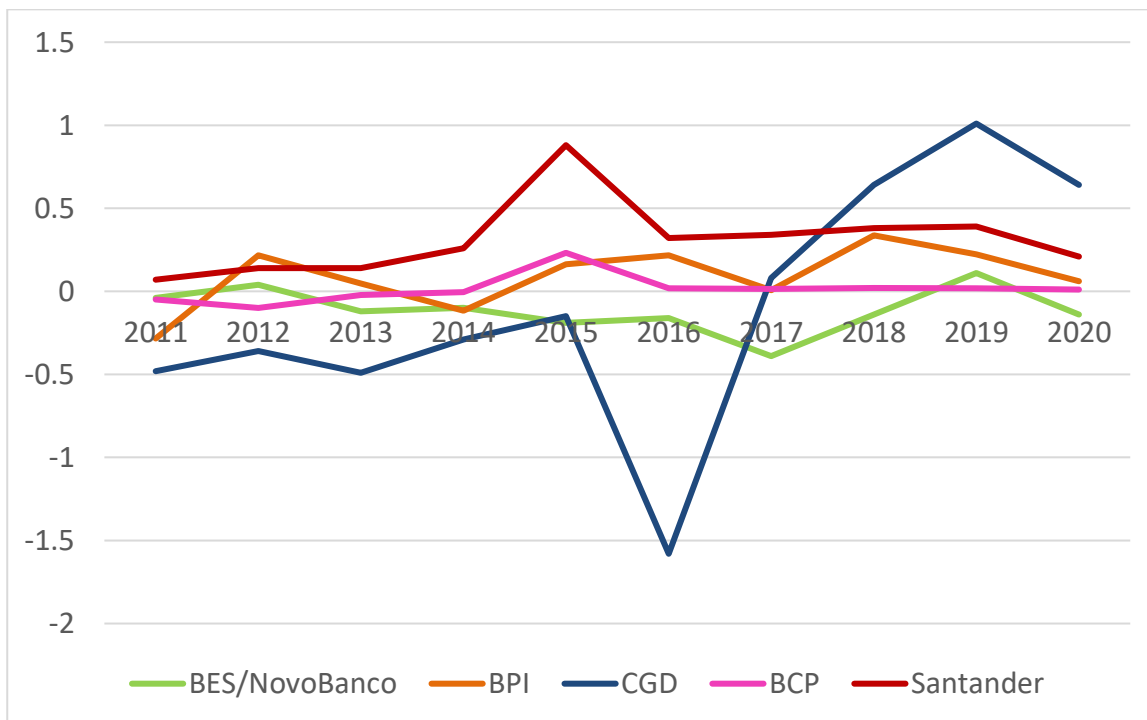
### Appendix 3 – Research panel

<b>1. Lisboa</b>	8953
<b>2. Porto</b>	7248
<b>3. Braga</b>	3983
<b>4. Setúbal</b>	3411
<b>5. Aveiro</b>	2984
<b>6. Leiria</b>	2132
<b>7. Santarém</b>	1705
<b>8. Faro</b>	1687
<b>9. Coimbra</b>	1546
<b>10. Viseu</b>	1326
<b>11. Madeira</b>	1279
<b>12. Açores</b>	983
<b>13. Viana do Castelo</b>	854
<b>14. Vila Real</b>	849
<b>15. Castelo Branco</b>	847
<b>16. Évora</b>	833
<b>17. Guarda</b>	828
<b>18. Beja</b>	586
<b>19. Bragança</b>	508
<b>20. Portalegre</b>	476
<b>Total</b>	<b>43018</b>

### Appendix 4 – Evolution of the EBIT in the banking sector



**Appendix 5 - Evolution of the EPS in the banking sector**



**Appendix 6 - Evolution of Brand Reputations in the banking sector**

Reputation Global Score	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	55.4	57.1	56.7	56.4	58.4	59.6	60.1	60.3	61.2	61.9
<b>SANTANDER</b>	56.1	56.9	58.4	58.3	59.1	61.2	62.4	62.9	63.0	64.0

<b>MILLENNIUM BCP</b>	56.5	55.6	51.8	54.1	54.7	56.0	56.6	57.3	59.2	61.6
<b>CGD</b>	60.8	60.2	59.7	60.8	61.7	62.2	55.0	56.3	57.8	58.0
<b>BES / NOVO BANCO</b>	61.5	60.9	59.7	58.7	29.3	28.4	35.1	38.7	45.2	45.0

#### Appendix 7 - Evolution of the Emotional Reputation in the banking sector

Emotional Reputation	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	57.3	58.6	57.4	57.7	59.1	61.4	61.4	61.7	62.5	62.7
<b>SANTANDER</b>	55.8	57.1	58.6	59.0	59.9	62.7	63.7	64.0	63.2	63.6
<b>MILLENNIUM BCP</b>	56.5	55.6	53.0	54.5	56.2	58.5	56.8	57.9	59.8	62.6
<b>CGD</b>	64.6	62.9	63.4	64.9	66.0	65.3	56.3	57.5	58.6	60.0
<b>BES / NOVO BANCO</b>	64.5	62.3	63.0	63.8	32.0	35.3	36.8	40.1	48.2	46.0

#### Appendix 8 - Evolution of the Rational Reputation in the banking sector

Rational Reputation	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	54.2	56.1	56.2	55.6	57.9	58.5	59.3	59.5	60.4	61.4
<b>SANTANDER</b>	56.2	56.8	58.3	57.8	58.6	60.3	61.6	62.2	62.9	64.2
<b>MILLENNIUM BCP</b>	56.5	55.5	51.1	53.8	53.8	54.5	56.4	56.9	58.8	61.0
<b>CGD</b>	58.5	58.5	57.5	58.3	59.1	60.3	54.2	55.6	57.4	56.7
<b>BES / NOVO BANCO</b>	59.7	60.1	57.7	55.5	27.6	24.2	34.0	37.9	43.3	44.4

#### Appendix 9 - Evolution of the perceived quality of products and services in the banking sector

Products & Services	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	53.9	56.8	55.1	57.4	56.3	56.5	57.8	61.9	63.3	62.2
<b>SANTANDER</b>	54.5	55.8	59.1	59.9	58.6	60.3	60.0	62.3	63.2	63.4
<b>MILLENNIUM BCP</b>	55.8	55.9	48.5	54.8	54.0	55.0	56.4	57.0	58.4	61.6
<b>CGD</b>	56.2	57.0	55.1	58.1	58.9	59.8	60.2	60.3	60.0	58.2
<b>BES / NOVO BANCO</b>	54.1	55.7	54.9	55.3	25.7	26.9	35.0	40.1	44.6	47.4

#### Appendix 10 - Evolution of the perceived innovation and differentiation in the banking sector

Innovation & Differentiation	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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<b>BPI</b>	54.5	57.7	58.7	54.8	52.5	54.6	57.1	55.7	56.6	57.2
<b>SANTANDER</b>	53.3	54.6	56.2	54.7	56.6	58.0	58.3	57.8	58.0	60.8
<b>MILLENNIUM BCP</b>	57.5	54.6	51.7	52.9	55.2	55.4	56.7	57.3	55.6	57.6
<b>CGD</b>	53.6	54.1	52.8	56.0	59.3	55.6	54.3	54.0	53.4	53.0
<b>BES / NOVO BANCO</b>	58.7	61.5	56.2	57.0	26.3	28.4	36.4	37.6	42.8	44.2

#### Appendix 11 - Evolution of the reputation in workplace & wellbeing in the banking sector

Workplace	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	54.6	56.5	55.4	54.8	55.3	58.1	58.6	58.2	62.1	63.6
<b>SANTANDER</b>	57.6	58.7	58.9	58.4	58.3	60.4	61.0	63.5	64.6	66.2
<b>MILLENNIUM BCP</b>	54.8	56.4	52.2	51.4	53.7	53.2	55.9	57.5	60.2	62.4
<b>CGD</b>	63.1	62.6	57.5	59.0	61.9	65.8	57.0	56.8	59.2	60.4
<b>BES / NOVO BANCO</b>	59.9	57.6	57.4	53.3	30.7	28.5	37.1	42.2	46.4	48.4

#### Appendix 12 - Evolution of the reputation in citizenship & social role in the banking sector

Citizenship & Social Role	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	48.1	51.6	54.3	52.2	56.5	56.5	57.1	56.0	60.7	61.2
<b>SANTANDER</b>	54.4	52.6	54.9	55.5	57.5	58.8	59.0	59.8	61.4	63.4
<b>MILLENNIUM BCP</b>	54.6	54.9	48.7	53.6	52.1	52.8	54.5	53.2	55.2	61.0
<b>CGD</b>	57.8	57.3	58.6	60.7	61.1	60.5	53.6	52.1	54.0	59.4
<b>BES / NOVO BANCO</b>	56.9	57.0	51.3	52.7	26.7	24.4	33.9	36.0	43.2	44.6

#### Appendix 13 - Evolution of the reputation in governance & ethics in the banking sector

Governance & Ethics	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	55.4	56.6	57.0	57.2	59.8	60.3	60.7	61.4	64.4	65.8
<b>SANTANDER</b>	54.6	53.5	54.1	57.0	58.3	60.3	62.8	63.2	65.4	66.8
<b>MILLENNIUM BCP</b>	53.3	54.4	52.6	53.2	52.6	53.8	55.5	56.8	61.6	63.0
<b>CGD</b>	56.5	58.0	58.3	57.7	57.8	61.7	49.0	53.0	58.2	57.0
<b>BES / NOVO BANCO</b>	56.2	57.4	56.0	54.7	31.0	23.3	34.5	37.4	43.0	44.4

#### Appendix 14 - Evolution of the reputation in leadership & vision in the banking sector

Leadership & Vision	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	54.2	55.9	57.5	56.3	60.3	60.7	60.6	59.6	54.6	55.8
<b>SANTANDER</b>	57.0	57.8	59.5	59.8	58.1	60.1	61.8	62.6	61.0	61.6
<b>MILLENNIUM BCP</b>	57.1	55.6	51.3	57.4	57.3	57.0	58.3	58.0	58.4	58.8
<b>CGD</b>	61.9	61.2	60.1	60.4	62.2	60.6	55.7	56.6	57.0	54.6
<b>BES / NOVO BANCO</b>	64.9	65.1	63.9	58.3	24.3	22.4	34.4	38.3	43.8	43.0

#### Appendix 15 - Evolution of the reputation in prosperity in the banking sector

Financial Health	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>BPI</b>	58.9	57.8	55.5	54.3	56.8	56.5	60.3	59.5	61.4	64.0
<b>SANTANDER</b>	62.1	64.3	65.5	65.5	64.7	65.1	67.8	66.6	67.0	68.6
<b>MILLENNIUM BCP</b>	62.6	57.0	52.6	51.3	52.4	52.8	56.8	58.3	60.0	62.0
<b>CGD</b>	60.7	59.2	60.1	58.7	58.6	57.2	53.6	55.8	58.2	56.4
<b>BES / NOVO BANCO</b>	67.4	66.2	64.1	58.3	20.7	19.5	24.9	33.5	38.8	37.6