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РОЛЬ РЕПУТАЦИИ В ПРОЦЕССЕ ИЗМЕНЕНИЯ – СЛУЧАЙНОСТЬ NC +

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Аннотация. Для понимания характера кризисной ситуации и курса ее изменений, необходимо изучить не только механизм сотрудничества между компанией и средствами массовой информации, но и поведение бизнес-менеджеров и их намерения. Целью статьи является проверка гипотезы о том, что в кризисной ситуации репутация компании рассматривается менеджерами как один из ресурсов (активов) этой компании, позволяющих достичь целей организации или используемых как «щит», предохраняющий бизнес-процессы в случае кризисной ситуации.

Ключевые слова: репутация, риск, информация.

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THE ROLE OF REPUTATION IN THE PROCESS OF CHANGE – NC + CASE

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Abstract. In order to understand the nature of a crisis situation and its course, it is necessary to study not only the mechanism of the collaboration between a company and mass media, but also behavior of business managers and their intentions. The aim of the article is to verify the hypothesis that in a crisis situation the company's reputation is considered by managers as one of the resources (assets) of this company which lets them achieve their own goals or is used as a “shield” which protects business processes in case of a crisis situation.

Keywords: reputation, risk, information.

The importance of reputation for companies

The change in the company's attitude towards issues related to the role information plays in the business development process causes such values as reputation and trust to be more and more important for the existence and development of enterprises. Good reputation and trust are in fact becoming a desirable value (Fig. 2.2).

The difference between the old type of enterprises which center their development around traditional values like work, capital, fixed assets, and the sales of tangible products, and the new type of enterprises which build their values on intangible products and services, is evident.

The role and significance of reputation and trust for modern enterprises of both types and their CEOs is shown in the below example of a market value estimate of KGHM Polska Miedź (copper and silver production) as compared to Facebook (at the time of its debut in the U.S.A. Despite the fact that it's the Polish company that has larger fixed assets). When studying the new type of companies, we can risk the statement that it's the intangible assets of a company that cause it to be more susceptible to changes in the market environment. The problem these companies also have to face lies in the development of electronic media which makes them more vulnerable when it comes to their activities being criticized by the outside environment. Consumers can access easily the information about the offers of companies which doesn't only come directly from those companies, but also from other network users. This is important because insofar as the trust in the opinions expressed by regular consumers is on the same level as the trust in the opinions of independent experts [1]. The ease with which network users can place negative comments on the Internet makes it very easy to find companies that have experienced crisis situations. Bad information, however, does not always reach all entities in the social and business environment, and even when that happens, it does not necessarily bring about negative effects [2].

In the most recent publications on the conduct of enterprises in the area of communication in crisis situations, the dominant viewpoint is that the implementation of a company's plans depends not only on the managers or owners, but also on their business, social and political

environments. The formulation of these assumptions is influenced by the dynamic development of the Internet which causes the disappearance of time and distance in the exchange of information between entities functioning on the market. The literature published at the end of 20th century contains notions that the communication strategy in crisis situations can be selected by managers depending on the goal they want to achieve. When seeking explanations of some managers' behavior, it's worth examining the theories developed in the field of economic sciences. The theory of agency and transaction cost lets us understand better the dependencies and relationships which occur at the junction of information, business risks or reputation. The managerial theory of entrepreneurship hints at the fact that profit does not have to be the main goal of an enterprise. It may very well be the desire to maximize sales, revenue or usefulness for the manager. On the basis of behavioral theory of an enterprise, it is easier to understand the beams of enterprise

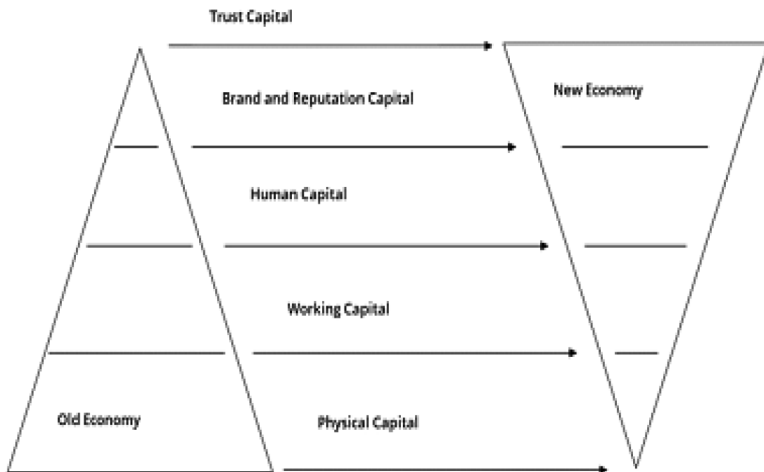


Fig. 2.2. Changes in the capital of enterprises related to the transition from old economy to new economy

Source: Grudzewski, W. M. et al. Sustainability in Business or the Enterprise of the Future. Changes in Paradigms and Management Concepts, Warsaw 2010, p. 35.

objectives, relations with stakeholders, and the role emotions play in business transactions. The theory of property rights provides knowledge on the stability of property rights including the sustainability of contracts, and the possibility of state intervention in the event of obvious disruptions of market mechanisms [3].

The common assumption in the literature on the subject that crisis situations always inject uncertainty into the managerial staff might be partially incorrect. Situations may arise in which a manager, being aware of a specific threat and convinced that he or she has the necessary knowledge about the company's risks and the scale of potential losses / costs, may not feel the uncertainty and be more inclined to make adopt risky strategies in order to achieve his or her goals faster. In such situations, the loss of some of the company's resources may be considered by managers as the cost / price they are willing to incur / pay for the sake of achieving their own goals relating to the managed company. The inclination to behave in a risky way may also increase along with the positive experience in the area of implementation of risky business strategies. The cost of a lost reputation may be in such cases treated as an alternative to the loss of other company assets (people, money, machines), and which the managers can view as more valuable / useful for achieving their own goals. In the event that the managers become interested in, say, a short-term improvement of financial results, their goals may differ from those of the company owners, who – under the same circumstances – will prefer a long-term growth of their companies' worth, including increased values of their reputation. Some authors define such tendencies of the management staff as “quarterly capitalism.” To illustrate this phenomenon, the example of the 100 largest companies listed on the London Stock Exchange (FTSE 100) is used. Among these companies only 13 % of CEOs point to long-term strategies in their company reports, and as many as 27 % of CEOs fail to communicate them altogether [4, p. 16]. The impact scattered shareholding has on managers may actually be low, yet in crisis situations reputation will be treated by managers not as a unique element of their enterprise which needs protection, but as an asset that remains “available” for the company's management along with other assets.

Behavior of stakeholders in crisis situations

An active consumer labeled in the economic literature as a prosumer or a conscious, active consumer seeking information about the market, products and their prices, is not a classic example of homo economicus driven by rational choices. Giving in to emotions or passions while being able to share their emotions easily with other market participants causes a situation in which – despite the great ease in the access to a large amount of information – the attitudes and behaviors of market participants cannot always be described as rational [2, pp. 114-115]. In a crisis situation, reputation becomes a valuable resource, a “shield” which, combined with a high level of trust, slows down the negative reaction of the public. Depending on the objectives of the collaboration, stakeholders will show the natural propensity to increase or decrease the significance of negative events related to the given enterprise which in their opinion has a good reputation. At the same time, it should be remembered that having a good reputation leads to the public having higher expectations of the given company. Consumers who intend to use the services of the given company in the long run will pay attention to the area of reputation shaped by the economic relations, that is access to the service, after-sales care, etc.

The consumer decision-making process starts with the attempt to obtain information on the object of interest. In the case of limited access to information which is directly related to the product / service, consumers may replace the missing information with the company’s reputation, that is as a reliable payer or a producer / provider of high-quality products / services. In the event of crisis situations, both consumers and company stakeholders will try to obtain the largest possible amount of information about the event and the potential negative effects which can create risk for them. When a crisis situation occurs, an enterprise which has a reputation of a solid business partner will be trusted by their collaborators and consumers. The “halo effect” is a situation in which a positive opinion people have on a person or an organization remains unchanged for some time. During this time, people ignore any information that is contrary to the opinion of the

given entity's reputation [5]. As long as stakeholders are convinced that the given company can cope with the crisis situation and meet their expectations, for example replace defective products with new, good ones, they will not take any actions against that company. The longer it takes to eliminate the negative effects of a crisis situation and to satisfy stakeholders' expectations (even if only in part), the more important it is for the company to conduct a proper informational campaign. In the absence of a proper information campaign, the company's customers may stop purchasing its products, the stakeholders might sell their shares, etc. The power of negative, emotional reactions is the resultant of multiple factors which influence each other with different forces. During a media crisis (a crisis that has a strong presence in the media) we can observe three stages: affective, cognitive, and conative. At the initial stage of the crisis, the number of publications grows rapidly. The news is contradictory, incomplete and imprecise. That's the stage in which the affective element is prevalent. It includes a wide range of feelings: joy, anger, sadness, love, and fear. In the second stage, as the media activity remains high, the cognitive element comes into focus. It consists of news on the subject, attitudes and convictions. During the third stage, the media attention drops dramatically. This is the period when the conative element is dominant and it is contained within the sphere of reflexes, behaviors, and sounds. These are mimic, motoric, and vocal reactions and any other activities that express action [6]. People trust their experience and they firstly try to match the current events to familiar patterns. It's often the case that their opinion is not based on facts, but emotions. In the absence of references to their own experiences, people will look for answers as to the proper kind of behavior in their immediate circles, that is they will observe other people trying to find guidance and opinions on the situation at hand. If there is no history of mutual contacts, the public will put their trust in a company, and in a crisis situation that company is treated as though there were positive experiences present between both entities. The "Velcro effect" or the negative impact on a reputation, comes into play when there earlier negative relations [5, p. 328]. As time goes by, the interest in the crisis situation decreases

naturally. Negative associations are erased from the public's memory, and the details of the event become blurred [7]. These phenomena may prompt some managers to implement unpopular solutions even at the cost of their companies' reputation, as they rely on the poor memory of their stakeholders and their loyalty in mutual contacts. Based on the managerial theory of entrepreneurship, it is worth considering whether some crisis situations are not procured in a conscious and deliberate way by some managers who are prepared to achieve their goals aggressively, assuming that the short-term crisis situation does not necessarily put their enterprise in jeopardy or lessens its reputation with the public or stakeholders.

Destroying one's own reputation as a way to implement a business strategy – the case of NC+ platform

On March 21, 2013, exactly 18 years after the Cyfra+ platform was created, ITI and TVN announced a strategic partnership the effect of which two digital platforms, Cyfra+ and “n”, were combined. As a result of the merger, a new entity was created called nc+ which was supposed to have 2,5 million subscribers combined [8, pp. 191-192]. However, this number contained about 100 thousand duplicate records of subscribers who owned packages of both platforms, and after the merger they were left in only one of them. In consequence, the actual number of subscribers right after the changes were announced was about 2.4 million. The negative reaction of customers was the result of a simplified, one-sided information referring to the changes being made, price increases for the packages, worse channel offer, and a very short time for canceling the contract. The issue of changing the contract at the first stage concerned the platform “n” customers, while Cyfra+ subscribers were supposed to face the same procedures a few months later. In their message, NC+ communicated only technical changes and promoted the new channel offer. Parallel to the informational activities going on in the traditional media and TV, there was an intensive ad campaign underway. When the first wave of criticism came, and it was highly emotional (*Tabl. 2.6*), NC+ and the Think Kong PR agency tried to wait it out [9, p. 76].

Table 2.6

*Emotions experienced by subscribers
during the first stage of the crisis situation*

Number of interviews = 4115	Number of responses N	% of responses N / 11782	% of interviews N / 4115
Total	11782	100	-
Rage	1345	11,4	32,6
Anger	1742	14,8	42,2
Irritation	2259	19,2	54,8
Anxiety	465	3,9	11,3
Fear	151	1,3	3,7
Understanding	9	0,1	0,2
Sadness	362	3,1	8,8
Confusion	1044	8,9	25,3
Surprise	1310	11,1	31,8
I became alert	533	4,5	12,9
I felt neglected	2363	20,1	57,3
Other (describe)	188	1,6	4,6
Open categories:			
none			
None of the above	11	0,1	0,3

Source: own research

In the few comments, president Julien Verly and other selected members of the NC+ board indicated that the offer was misunderstood by the customers which was the main cause of the crisis situation. As a result, subscribers got irritated, they felt neglected, and experienced rage and anger (*Tabl. 1*). The NC+ fan page on Facebook tried to control the content of posts and remove the posts that – according to the Think Kong employees – were against the fan page rules. The

attempt to control the posts in social media triggered the Internet users to create a profile called AntyNC+. This alternative fan page gained over 90 thousand users in a very short time. Many analyses of this situation stress the significant role of social media, the intensity of the crisis which had a real negative impact on a number of NC+ subscribers, and the company's financial gains. When analyzing the course of the crisis situation which occurred during the merger of ITI Neovision (N) and Canal+ (Cyfra+) and its real effect, we should take into consideration some events from the past of those companies which might have had an impact on the 2013 crisis. A year before, in 2012, Canal+, the owner of Cyfra+, imposed a raise on its clients which was eventually challenged by UOKIK (Office of Competition and Consumer Protection). As a result of the Cyfra+ managers' withdrawal from the proposed changes, UOKIK cancelled the penalty which was supposed to be up to 10% of the company's revenue. More than 10 years earlier, allegations similar to the ones described above were raised against the merger of Canal+ and Wizja TV. The objections referred to:

- charging subscription fees for packages which were more expensive than the ones declared by the subscriber in the contract;

- failure to respond to letters and complaints, and failure to answer phone calls by customer service;

- making it impossible to terminate one of the contracts for customers who paid for subscriptions to both providers before the merger took place;

- at the same time, automatic renewal of contracts for a year or two years;

- making the offer worse while increasing the fees [10].

It is interesting that despite the events of 2012 and 2002, according to Replise Poland, the image of N and C+ remained neutral or positive. The above observations and analyses may lead to a cautious conclusion that the strategy of introducing the new offer on March 21, 2013 may have been a deliberate action carried out by NC+ managers. This view may be supported by the fact that there was a conflict within the NC+ board which resulted in the vice-chair Beata Mocka's resignation. She stated that she had left because she could not accept the aggressive strategy forced by the foreign members of NC+ [11]. An additional argument supporting a conscious decision by the managers as to the adopted

strategy of implementing changes may be the information obtained from stock exchange reports regarding the business and development potential of the digital TC services transmitted via satellites. The reports published by independent institutions and the competitive Polsat platform indicated that the market forecasts, demographic changes, and changes in media consumption are very unfavorable for the industry. Year to year, the paid TV market was shrinking by 2 % annually. The penetration of the entire TV services market was at 78 % (48 % for satellite TV) with a small potential of growth to 81 %. In their recommendations, the analysts pointed to two possible strategies. Integration of the offer with added services (strategy adopted by Polsat Group) or reconstruction of client portfolio, cost reduction, and an improved offer with simultaneous increase in fees [12].

Platforms N and C+ chose the merger and reconstruction of the offer. Officially, the period of expiration / amendment of contracts which began in March of 2013 ended only at the end of Q1 2014. It was only after this period that the analysis of customers who left allowed for better understanding of the impact of that crisis situation on the migration of customers to other platforms. In 2013, the churn rate (the annual percentage rate at which customers stop subscribing to a service) for Polsat was 9.2 %, 9.1 % in 2014, 10% in 2015 (with 3.55 million subscribers). For N and Cyfra+ this rate, as stated by Julien Verley, was about 14–15 % annually. This indicator was confirmed in surveys conducted on active subscribers on the AntyNC+ fan page. In 2013, 16% of the N platform customers and 14.5% of the C+ customers did not intend to renew their contracts regardless of the merger (*Tabl. 2.7*). This translates into approximately 360 thousand people whose intentions had been to resign from these services.

At the same time, the initial lack of faith (*Tabl. 2.8*) in the correction of the new channel offer proposed by NC+ may have had a positive impact on the opinion of the company's further activities at the very time of actual offer modification performed by the company's board. Some customers, not expecting such behavior from NC+, may have changed their opinion from negative to positive as they were influenced by that event. The change in the perception of the company in that period of time was noticeable not only in the comments of the Internet users, but also in the nature of publications for the media. From the moment

the changes were announced, the number of negative publications dropped from 74.9 % at the beginning of that period do 51 %, with the simultaneous increase of positive publications to 41.2 %.

Despite the crisis situation that occurred, the merger cannot be viewed as a business fiasco. While it's true that one in three customers clearly indicated readiness to resign from NC+ services (36.7 %), however about 16 % of those people were going to resign from N or C+ services anyway, regardless of the crisis situation (*Tabl. 2.7*). The real scale of resignation as impacted by the crisis situation was not as massive as some journalists indicated in their publications.

Table 2.7

**Declaration of contract extension
by subscribers of N and C+ platforms in 2013**

Number of interviews = 4115	Number of responses N	% of responses N / 4314	% of interviews N / 4115
Total	4313	100	-
Yes to Canal+, I found the entire offer attractive	980	22,7	23,8
Yes to Canal+, but I wanted to have some of the thematic channels which were not available on other platforms (what channels)	504	11,7	12,2
Open positions(categories):			
No categories			
Yes to platform N, I found the entire offer attractive	1737	40,3	42,1
Yes to platform N, but I wanted to have some of the thematic channels which were not available on other platforms (what channels)	401	9,3	9,7

Open positions(categories):			
No categories			
I did not intend to use the services of these providers	692	16,0 %	16,8 %

Source: own research

The good opinion about the package quality and attractiveness, the consumers' propensity to pay a high price (*Tabl. 2.9*) combined with emotions subsiding relatively quickly and the lack of alternative offers may have caused the majority of subscribers to wait for a better offer. The NC + board, having gained the knowledge of how both platforms are perceived by customers, and using the experience from previous years, could – based on the data in their possession and business assumptions – assume that most customers would behave in exactly that way.

Table 2. 8

Evaluation of activities undertaken by the NC+ board

Number of interviews = 4115	Number of responses N	% of responses N / 4678	% of interviews N / 4115
Total	4678	100 %	-
These are apparent actions and they won't bring any changes to the channel offer	976	20,9 %	23,7 %
These are apparent actions and they won't bring any changes in the package subscription fees	1340	28,6 %	32,5 %
The talks will bring about an offer which will be attractive to the subscribers as far as channel packages	165	3,5 %	4,0 %
The talks will bring about an offer which will be attractive to the subscribers as far as prices	267	5,7 %	6,5 %

I doubt that the recent activities of the board will change anything in the offer to the subscribers	1930	41,3 %	46,8 %
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Source: own research

The largest drop in the number of NC+ subscribers was recorded in first year the offer was introduced. While at the beginning of the merger 2.5 million subscribers were declared, the end of 2013 saw an outflow of about 300 thousand customers. At the end of 2014 NC+ claimed it had 2.15 million subscribers which meant another slight decrease (–2 %).

Table 2.9

Correlations between selected factors that shaped attitudes and behaviors of NC+ subscribers

		Attractive channel offer	Attractive price	Quality of provided services	Decision about the contract
Attractive channel offer	Pearson Correlation 2-tailed N	1 4114	,509** ,000 4114	,504** ,000 4114	,114** ,000 4114
Attractive price	Pearson Correlation 2-tailed N	,509** ,000 4114	1 4114	,595** ,000 4114	,062** ,000 4114
Quality of provided services	Pearson Correlation 2-tailed N	,504** ,000 4114	,595** ,000 4114	1 4114	,106** ,000 4114
Decision about the contract	Pearson Correlation 2-tailed N	,114** ,000 4114	,062** ,000 4114	,106** ,000 4114	1 4114

** Correlation is significant at the 0. 01 level (2-tailed)

Source: own research

Overall, in the course of two years, NC+ lost approximately 350 thousand subscribers (of which 100 thousand were included in the initial statistics twice). Julien Verley, the president of NC+, when trying to predict the market's reaction said in a public speech that he would consider the merger a success if NC+ lost no more than 400 thousand customers. During the same period of time, competition did not record any significant increase in the number of subscribers, and the average revenue per user (APRU) for Polsat was 49.2 PLN. In the following years NC+ gradually increased the average service subscription – 65.7 PLN om 2013, 68.3 PLM (+4 %) in 2014, 68. 2 PLN in 2015. Looking at the number of subscribers at the end of 2016 -2, 119 million, we can say that starting with 2015 the NC+ situation stabilized. With the shrinking market, the company's managers were able to increase the average service subscription and even out the revenues despite the decrease in the number of subscribers. The possible difference in the year-to-year revenues stem from differences in exchange rates and so they shouldn't be considered in the evaluation of the business and communication strategies adopted by NC+.

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