PART 1

How They Scam Us

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Reputation Management

And listen, if you can't say anything real nice it's better not to talk at all, is my advice.

—Dean Martin

OH, THE LENGTHS to which companies go to protect their good name. They seem boundless. I remember mediating one reader's refund case against a well-known entertainment company. After days of heated back-and-forth discussion, the corporation agreed to return her money, but not before sliding a waiver under her nose that required that she never breathe a word about the incident. (She granted me an interview, then signed the nondisclosure statement and cashed the check. I held my story until the check cleared.)

Another favorite corporate strategy is taking legal action. A company either threatens to sue you or actually does. Such tactics never work with me, but customers fall for them regularly.

Scams are fueled by the misrepresentations or outright lies companies tell about themselves. As it turns out, some businesses can't help themselves since these fools actually delude themselves about their true purpose. Others try to mold your perception of them in order to persuade you to buy. Billions of dollars are at stake, and they know it.

Reputation management is the art of controlling key aspects of what people read about your company mostly online, but sometimes also in magazines, newspapers, and television. In the case of the Internet, their goal is to either delete all negative information from sites like Yelp or Google or Yahoo! or else push it to the bottom of any engine's results; and, of course, they try to bury bad reviews or beefs from disgruntled customers who paint them as unscrupulous or unresponsive.

Most corporations keep such reputation management triumphs to themselves. With good reason. If their customers knew or suspected that people they buy from were manipulating product information and recommendations, the tactic would backfire and tarnish their image rather than polish it.

But some can't shut up about their successes. Consider the predicament faced by Sensibill, a British telecommunications company, in 2010. A former employee had posted a negative review about the company online, and it was showing up high in the search-engine rankings. The company hired a reputation management company called Brag Interactive to not only "remove negative search engine listing(s)" from Google and other major search engines but also to increase search engine and organic traffic. That would bring in even *more* business by making its name show up higher in searches (more in Chapter 2, "I SEO You"). Brag Interactive implemented a comprehensive reputation management strategy that included building a new site for Sensibill. It taught employees how to manage their reputation themselves. "Our strategy proved to be a great success," Brag brags. "At one point the negative listing was deep in the search engine results."

Search-engine marketing firm Defend Matrix—one of the most established companies in this emerging and highly lucrative sector—makes incredibly bold promises to companies desperate to control their online reputations. Defend will "expand and solidify your online 'brand,'" according to its promotional material. Here is what's offered:

- Identifying "positive" web pages, blogs, forums, articles, or pages that it controls, that can be quickly elevated in the search engine rankings using optimization strategies. These pages then blanket and replace negative listings.
- Posting hundreds of positive articles (blog, journal, and forum entries), news items, press releases, and other pages on a steady basis.

These postings offer positive reflections on clients' reputations—but more importantly, they replace negative postings by taking the top positions on the sites in which they appear.

- Creating new, positive content on your site and on sites that Defend Matrix controls, and then optimizing this content so that it rises quickly to the top search-engine rankings. Defend Matrix owns hundreds of sites for this purpose.

The result? Consumers are far less likely to find reviews from disgruntled customers who would warn you about a bad company and *more* likely to see contrived glowing write-ups from adoring clients.

What Do Companies Think of Themselves?

If you've ever wondered how modern-day companies see themselves, click over to the Footnoted blog (www.footnoted.com), created by Michelle Leder, author of the 2003 book *Financial Fine Print: Uncovering a Company's True Value*. Footnoted digs deep into company earnings reports and SEC filings to unearth the exaggerations and misrepresentations companies tell themselves—and investors.

- Even as pharmacy retail chain Rite-Aid congratulated itself for its excellent service initiatives in regulatory filings, it was unable to stock some of the basic necessities in its stores, much to the disappointment of its customers.
- Managers of now-defunct Northwest Airlines and Continental Airlines lavished generous compensation on departing executives while their companies' customer-service rankings circled the drain. The message? "Good job, fellas." (Or maybe, "Screw you, customers!")
- Despite the fact that one Las Vegas resort announced "aggressive" cutbacks during the last recession that almost certainly affected its customer service, it signed an exceptionally generous contract with a longtime executive, raising

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his pay by more than 50 percent. I guess everyone took a hit during an economic downturn except the senior executives.

If you think these sound like the words and actions of delusional companies that have lost touch with not only their own customers but with the very idea of customer service—take a bow. These examples suggest that companies have nowhere near a grasp on reality.

Avoiding Sock Puppets

The lengths companies go to shape an opinion can be mind-boggling. For example, in 2007 Whole Foods CEO John Mackey was outed as the guy behind the online ID "Rahodeb." He'd reportedly used the Yahoo! account anonymously to badmouth rival chain Wild Oats right before his company acquired it. After Mackey's clumsy efforts were discovered, the deal was put in jeopardy. This strain of reputation management, in which a company's employee assumes an alter ego, is called *sock puppeting*. It has evolved in ways most consumers would find very troubling. In 2011, it was revealed that the U.S. military is developing an application that secretly manipulates social media sites by faking online personas to influence online conversations. That's sock puppetry on a massive scale.

We're just at the beginning of the rep management revolution, if it can be called that. A 2010 survey by executive recruiters Korn/Ferry International found that 59 percent of executives believe the recent increase in awareness of corporate reputation risk will affect a board's view of reputation management and crisis preparedness. Only 28 percent said the shift has no effect, while 13 percent were unsure of how the focus on corporate reputation would impact the company. That's a lot of room for growth.

The takeaway? Be skeptical. *Very* skeptical. "Remember, not everything written on the Internet is true," says Abraham Shafi, co-founder of social media site Veechi Corp. Shafi's advice is particularly important in the Information Age, where anything published online is accepted as fact.

Since the early days of social media there have been stories of "rep-management" mills–organizations in third-world countries where underpaid workers populate forums, websites, and discussion groups with flattering material about a company. The evidence of their work is everywhere—yet in a sense it's nowhere. Can anyone prove these "cockroaches' " existences? If so, where is the smoking gun?

Consider the case of Billy, a former restaurateur in Costa Rica. He contacted me in 2010 to confess that as a one-man rep-management mill he'd brought his competitors' reputations down a notch or two. His weapon of choice: popular travel ratings site TripAdvisor (www.tripadvisor.com).

He explained:

> I began tracking feedback about my restaurant on TripAdvisor's "rants and raves" page. It very quickly occurred to me that I could write in glowing reviews about my own restaurant and up my ratings numbers.
>
> After a period of time, I began to see my ratings slide a bit after some not so [complimentary] postings by supposedly "real" customers. The complaints that were [cited] seemed somewhat contrived; and as owner and general manager I would have become aware very quickly about these types of complaints [had they been genuine].
>
> Were [these comments] posted by my competition? Perhaps. So I simply got on TripAdvisor and bombarded them with glowing reviews about my own restaurant. Within days, I was rated a perfect 5!

Does this sound too good to be true? Well, it's frequently how things are done. So, in order to make more people aware of these kinds of practices I happily connected Billy with a producer from the *Today* show where he appeared on a segment about reputation management on February 17, 2011.

Marketing experts who spoke to me actually consider Billy an amateur. Now imagine his casual efforts to influence his restaurant's reputation magnified exponentially by an army of thousands of underpaid content-mill workers, each of whom has dozens of aliases with which to seed discussion boards and forums with favorable—or unfavorable—comments.

Worse, consumers can't tell if a company's reputation is managed. If it's done correctly, no one should be the wiser. In fact, according to Gary Bahadur, former Bank of America senior vice president and author of *Privacy Defended: Protecting Yourself Online*, "The only way [to tell] would be to see how quickly they respond to a negative attack." A fine example of a managed reputation is web-hosting company Network Solutions, which reacted to a security breach with lightning speed. "Their reputation management team was out responding to blogs and putting out news stories the same day," Bahadur says, "all [of which were] very positive responses." This upbeat feedback overwhelmed any negative comments and pushed them to the bottom of the search results or marginalized them, turning the break-in into a non-event.

How to Find Better Service

As a general rule, a company with an active reputation management program will be concerned—almost to the point of being paranoid—about any potentially negative review posted online. I have spoken with many savvy customers who, when disappointed with a product or service, promised to share their displeasure online and were promptly given what they asked for. (You'll find more on shaming companies in Chapter 14, "Turning a *No* Into a *Yes*.")

How Companies Manipulate Customers

But what's so terrible about a company trying to put its best foot forward? Nothing—and everything.

On the one hand, what company *wouldn't* want to enhance its status and squelch any negative publicity, particularly online, where information is thought to be freely exchanged, and where controlling a corporate message can be a challenge? On the other hand, there's no denying that these efforts are distorting reality and preventing prospective customers from getting an accurate picture of their company.

You deserve to know the whole truth about a business. What do past clients *really* think of the services they offer? How do they handle complaints? Are they worth patronizing? When you look for information, that's what you expect to find.

Of course, companies want you to think you've done your research and arrived at the conclusion that you should buy from them. In reality, those corporate executives engaged in this massive spin operation know for sure that their product or service isn't perfect. They're also aware that with some hard work and excellent reputation management, any company can drown out the cries of critics, bloggers, and consumer advocates who stand between them and your plastic.

And there lies the problem. Truth has become relative. To many businesses, you are nothing more than prey to be played with, manipulated, and devoured.

Executives know that people are more likely to give them their business if they believe the service is better. In a survey conducted by Harris Interactive, an overwhelming majority of respondents—85 percent—said they would be willing to pay more than the standard price of a good or service to ensure a superior customer experience. More than half said they'd be willing to pay 10 percent or more, and a noteworthy 1 in 10 said they'd pay 25 percent or more. That's a powerful incentive to control what's being said about you—and maybe to lie. "There will always be those who try to manipulate the system to their benefit," says Doug Wolfgram, chief executive of IntelliProtect, an online privacy service. "But they will be weeded out when good, solid products and services have good, solid online reputations." Let's drag out the old chestnut: You can't fool all the people all the time.

Selling Good Vibes on eBay, One Leaf at a Time

Here's an actual advertisement that appeared on Internet giant eBay, an online-only store where reputations are carefully cultivated and guarded by small and large businesses.

> Hello, for sale is a picture of a tree. This tree is an original and was taken by me. I have gotten nothing but 100% feedback from people from this picture. Great Picture! Once payment is made I will send you picture via email. Once payment is made and I send picture through email 100% feedback will be given to the buyer!!!! Once you pay for the

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> item send me [an] eBay message with your email and I will email you the picture!

So if you pay 99 cents for a picture of this tree, I'll give you a 100 percent positive feedback rating. Clever, huh?

How We Fall for It

Is it any wonder that we make wrongheaded purchasing decisions when businesses from multinational corporations to the corner store are manipulating the facts about themselves? The conventional wisdom that positive reviews prime the cash pump has been unquestioned for decades. After all, our impression of a company directly affects what we buy, and that's particularly true of what's being said online. If we see a glowing write-up, we're more likely to buy something.

A 2005 study by the London School of Economics found (not surprisingly) that reputations and sales go hand in hand. A positive rep translates to higher sales, while a negative reputation drags it down to headshaking levels. Other research has more closely tied that to online activity, which is where most rep management takes place nowadays.

Retailers know that online reputations are important, and they are becoming even more aware of this truth. As such, they are shifting more resources into influencing the online conversation.

More Confessions of a Rep Manager

Sharon Geltner handles the management of reputations for a long list of corporate clients. Yet she admits that some of her would-be customers deserve a worse rap. As she explained, "I've gotten pleas from an apartment complex owner and a lawyer who were losing tenants and clients, respectively, because of their bad online reputations. The lawyer had to get out of his practice and turned to self-publishing as a way to buttress his rep and ego. The sad part is, they deserved their reputations, and simply weren't willing to clean up their acts in real life." She's quick to add that she turned both clients down.

Sometimes even reputation management can't save a company from itself.

Think about how you shop. When you see a product with a constellation of star ratings do you feel better about buying it? *I* do. A 2007 Berkeley study suggests we rely on customer ratings, particularly when we shop online, to assure ourselves that the product we see "is reflective of the product that will be shipped" and that the sellers are not deceitful or negligent. Customers are "very sensitive" to ratings, and easily swayed by them.

It is far more difficult to say how much consumers spend because of the ratings. I've sat across from executives who claim that half a star can mean millions of dollars of business in a single year, but even they really can't prove this (and if they could, would they *ever* open the books up to a consumer advocate?). I will not be going out on a limb by estimating that between one-third and one-half of all consumer purchases are influenced by consumer reviews. However, whether that influence was actually responsible for one-third to one-half of all consumer purchases is an unanswered question.

Transparent Lies

The next time a company claims to be transparent, take note—because although the term *transparency* is often corporate-speak for openness and honesty, transparency is a measure of what a company *does*, not what it *says*. When a company claims to be transparent, this often means it's hiding something, the reverse of the word's definition. The best example of this is the airline industry, which has claimed to be completely transparent while

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hiding billions of dollars in fees from its passengers—fees imposed only *after* customers have agreed to buy a ticket. But banks and wireless companies enact similar transparency in charging frustrated clients.

I watched these transparency dramas from afar until I became ensnared in one of my own: A client who repeatedly claimed to be transparent while at the same time spinning an impressive web of lies. I say "impressive" because it wasn't a global conglomerate but a small media company with only a few employees.

But the lesson wasn't lost on me. Now, when someone claims to be transparent, an alarm goes off. I've come to the conclusion that real transparency isn't a corporate slogan; it's part of a company's DNA.

"SocialSpark Loves Your Blog"

Since 1997, I've run a website (www.elliott.org) that gets decent traffic numbers; so I receive a fair number of unsolicited offers. It takes a few seconds on the site to figure out that my primary goal is to advocate for consumers. So I was surprised when I received an e-mail from a key player in the rep management racket called Izea.

"I'm reaching out to you to discuss a possible partnership with your blog," the form letter started. "I came across your site and after looking around your blog, I thought it might be a great fit for our site!"

Clearly, they didn't spend *any* time there. If they had, they'd know I'd be dead set against signing up for a service like theirs. Why? Izea works as a middleman between big companies who want to increase their social media exposure and bloggers who are hungry for a quick buck made through PayPal. It's pay for play; I write about one of these companies on my site, make it look like an authentic post, and I get paid anywhere from $200 to $500 per post. And the companies participating in these campaigns are not bottom-feeders. They include brand names like Microsoft, HP, LG, and Virgin. While Izea claims to offer clear disclosure of the sponsored nature of these posts, most readers probably don't pay attention to the fine print. The campaign looks like an authentic word-of-mouth recommendation.

Don't Fall for a Managed Reputation

Companies covet a sterling reputation even when they don't have one. They want to be the next Amazon.com, Kohl's, or Costco (the top-rated companies in a 2011 customer ranking by the Temkin Group). Some companies see rep management (RM) as a shortcut. Here's how to spot them.

- *Read the negative customer reviews in context*. Does the company respond to the review and address the problem, or just ignore it? Disregarding a review may indicate that the company just wants to whitewash its reputation.
- *Look for patterns*. Are there a lot of positive or negative reviews? Does every product get five stars, or one star? If so, then there's a good likelihood the process is rigged by the company's employees or a consultant.
- *Be on the lookout for one-time posters with the "-est" syndrome*. Someone who posts only one glowingly positive (or terribly negative) rating is the corporate plant; for example: "This was the *best* movie ever" or "This is the *nicest* car on the market." If the central message being conveyed is *this is the best product or service ever—run*. Chances are, you're reading the product of a managed reputation.

Businesses have badmouthed one another since the beginning of time. What's different today is that the stakes are higher and the methods more clever. If half a star can affect millions of dollars of business, how much money do you think a company will be willing to spend to influence the process? And putting words in *your* mouth and the mouths of thousands of customers—gee, how clever is *that*?

Companies are throwing untold resources into RM and the net result is that you can't trust anything you see online anymore. Anything. Those "customer" ratings? They're always rigged in one way or another. The Internet search engine results? Manipulated. Even comments on blogs and discussion groups are suspect at best.

Collectively, consumers are spending billions of dollars on products they wouldn't otherwise purchase—cars, electronics, and homes—of inferior value. The scams that lie behind this unfortunate trend can't be measured, but that doesn't make any of them any less a scam. But reputation management isn't the only way in which companies control what you see. The trickery extends to how we find information.

Rep Management Campaigns That Failed

Good reputation management happens quietly behind the scenes. Bad reputation management, however, can often be seen very clearly—and it's quite a spectacle. Take a front row seat:

- BP's handling of the *Deepwater Horizon* oil spill in 2010 is a classic case of reputation management gone wrong. Among its efforts: Buying oil-spill–related AdWords on Google after the disaster—which, unsurprisingly, didn't work. By then, BP's name had already become a punch line, and it will be forever synonymous with a disastrous gusher, connected like Exxon and *Valdez*.
- In 2008, the Canadian country music band *Sons of Maxwell* flew to Nebraska on United Airlines—and watched in horror as the airline's baggage handlers threw their expensive guitars into the cargo hold. Needless to say, the instruments were damaged beyond repair. United dragged its feet in fixing them, so the group turned the experience into a song and a heck of a humorous "viral" video entitled *United Breaks Guitars*. United launched a charm offensive, but only after the screw-up reportedly cost it $185 million. (In a way, United had given *Sons of Maxwell* a big break and exposure it had never dreamed of.)

- In 2011, a video of GoDaddy CEO Bob Parsons shooting an elephant in Zimbabwe made the rounds. You'd think someone as Internet-savvy as Parsons would try to avert the damage with a sophisticated rep campaign. Instead he suggested that his critics were clueless, even after calls for a boycott against the domain name registration company. Of course, it's not always so horrible for these doofuses. Months later, Bob sold his company for billions—but only after the uproar weakened GoDaddy's brand.
- In 2011, Legacy Learning Systems was charged with seeding the Internet with fake product reviews for expensive DVD guitar courses. According to the FTC, the endorsements generated more than $5 million in sales of Legacy's courses. Legacy settled the claim for $250,000, which for them was the cost of doing business.