Better infamous than unknown?
A study on the media effects of a scandal on corporate reputation and visibility
Abstract

In this paper I theorize about how a company’s corporate reputation and visibility can be affected by a scandal. Scandals are associated with negative outcomes such as bad reputation but this thesis investigates if there are some positive side-effects of a scandal in terms of increased visibility. The idea of it being better for companies to be infamous than unknown is studied using the empirical example of the payment service company Klarna AB, their scandal in April of 2014 is the focus of the thesis. The results show that the company’s visibility was affected in a positive way following the scandal since the number of articles about Klarna did increase after the scandal compared to before the scandal. Klarna’s visibility was also shown to increase through the higher number of customer reviews after the scandal. The measurements for corporate reputation of Klarna rose significantly after the scandal in comparison to before the scandal indicating that also Klarna’s reputation was positively affected by the scandal. The conclusion is that it is better to be infamous than unknown since there was something to gain from the scandal in terms of visibility and corporate reputation.

Keywords: Scandal, corporate reputation, visibility, media reporting
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1. Introduction
Companies need to handle their corporate reputation with care as it is becoming a more important asset, now it is considered a competitive advantage to a greater extent (Rindova et al., 2005). There are a number of examples where the behavior of a company has affected its reputation such as by having questionable accounting (Chaney and Philipich, 2002) or bad working conditions (Petersen and Lemke, 2015). These examples are all considered scandals where companies’ reputations have suffered.

The attitude towards scandals is that they should be avoided at all costs since they can potentially destroy a company’s reputation. An interesting question is however if a scandal can have some positive effects for a company also. With the increase in coverage in media, which a scandal often brings, it can perhaps lead to more visibility for the company even after the scandal has been forgotten by the media and customers. This intuition builds upon the Swedish expression about it being better to be infamous as opposed to being unknown which is phrased “bättre ökänd än okänd” and this loosely translates into “better notorious than not being known at all”. A similar thought is also presented, though somewhat differently phrased, in the expression “any press is good press” which would suggest that even media coverage which may or may not be mainly negative following a scandal can be advantageous for the company. Both expression point to the idea that also negative attention in the press can be beneficial for a company since it creates visibility/publicity. A scandal may therefore not be as bad as it seems from the beginning given that the visibility might increase and perhaps continue to stay at a higher level compared to before the scandal.

A company which has recently had a scandal is the Swedish payment service company Klarna AB. The Klarna scandal was picked up by media in April of 2014 by Svenska Dagbladet (Neurath, 2014a) and it mainly concerned complaints on Klarna’s way of handling late payments and issuing unjustified fees. Klarna was scandalized and this could have affected their corporate reputation and their visibility. How the reputation and visibility have been affected is however not completely clear.

There are a number of studies which focuses on scandals having negative effects (Chaney and Philipich, 2002; Knittel and Stango 2013) but there are fewer studies which focuses on the
opposite side, i.e. the positive effects of scandals. It is in this aspect that visibility becomes interesting since it can be a positive effect caused by the negative behavior leading to the scandal.

While it may be difficult to think that a scandal can have positive effects there is one part of them, increased visibility, which often is overlooked in studies on scandals. Visibility is, in comparison to the concept of scandal, more positive-sounding; visibility is more associated to awareness that something exists (Bushee and Miller, 2012).

In a chapter of a book by Jonsson and Edman (2014) it is suggested that media coverage can have negative or positive effects on, for example, legitimacy. While the core of this thesis is not on legitimacy but rather on corporate reputation and visibility the idea put forward by Jonsson and Edman (2014) might be applied to areas such as how corporate reputation and visibility can be affected by media attention following a scandal.

Another interesting suggestion from Jonsson and Edman (2014) is however that the effects from increased media exposure can be temporary, referring to the fast-changing attention of media which often shift from one story to the next (in this case, one company or organization to the next). The positive or negative effect of increased media coverage can therefore be momentary, it is however not clear if the effects from a scandal are temporary or not which is of further interest; perhaps a company can attain another level of visibility which lasts even after the interest on the scandal disappears? A scandal could therefore potentially have positive or negative effects which either disappears once the media attention directly connected to the scandal decreases or continues on even after the scandal has been forgotten.

The complaints towards Klarna following the scandal took on many forms. In media there were articles describing Klarna in a negative light and also customer complaints in the form of reviews and ratings. The question is then if the increased attention aimed at Klarna, even though it may have shown Klarna in a predominantly bad light and may have hurt their reputation, might have been favorable for the company in terms of visibility since it may have led to the company being more recognized and therefore continued to get mentioned. The scandal which Klarna had can have increased their media exposure which could have benefits for their visibility in the long-run.
1.1 Motives and goals
The goal of the thesis is to investigate if Klarna’s corporate reputation has been affected by its scandal and if Klarna has gained in visibility from the increased media attention following the scandal in the long-run. The visibility is measured through the number of articles before, during and after the scandal on Klarna and the same articles are also coded to investigate if the tone towards Klarna changed after the scandal. Online customer reviews scores are also used to measure the effect of the scandal on Klarna’s corporate reputation. The customer reviews are also used to give an indication about visibility by analyzing the number of reviews made by customers before and after the scandal.

1.2 Research Question
The question which is to be answered in this thesis relates to reputation literature since it aims to investigate the effects of a scandal on a firm’s reputation and its visibility. This question is investigated with respect to Klarna. The research question is the following:

- How can a scandal affect the company’s corporate reputation and visibility?
2. Literature review

In this section the literature on corporate reputation, scandals, media reporting and visibility is reviewed and the concepts related to the topics are defined. The literature review ends with the hypotheses that are going to be tested in this thesis.

2.1 Corporate reputation

Corporate reputation can be defined as “a stakeholder’s overall evaluation of a company over time” (Gotsi and Wilson, 2001, p. 29). Stakeholders are gaining more access to information about companies and reputation is a vital tool in influencing stakeholder groups such as customers and employees (Eberl and Schwaiger, 2005; Kitchen and Laurence, 2003; Roberts and Dowling, 2002). Sustaining a good corporate reputation is now a more common task amongst managers, a task which they have to deal with in order to steer the company in a successful way (Gotsi and Wilson, 2001).

In the literature of corporate reputation there are different definitions of the concept. Gotsi and Wilson (2001) explain that there is no generally accepted definition of corporate reputation. The issue can be that there are a number of disciplines which have approached the concept of corporate reputation from different perspectives (Fombrun and Rindova, 1996). Just to mention a few there are economists such as Myers and Majluf (1984), accounting researchers such as Dufrene et al., (1998), and sociologists such as DiMaggio and Powell (1983) who have all contributed to reputation literature with relevant studies but they all differ in viewpoint which is making the concept of corporate reputation more difficult to grasp (Gotsi and Wilson, 2001). There is however one definition of corporate reputation developed by Gotsi and Wilson (2001) which is used for this thesis.

Gotsi and Wilson (2001) claim that a reputation can be based upon a stakeholder’s overall evaluation of a company over time. This evaluation is then founded on experiences, symbolisms, communications and comparisons with other companies. Gotsi and Wilson (2001) attempts to come to a general definition of the concept of corporate definition and this is what they conclude:

“A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides
information about the firm’s actions and/or a comparison with the actions of other leading rivals.” (Gotsi and Wilson, 2001, p. 29)

As shown in Gotsi’s and Wilson’s definition above, corporate reputation can in a sense be seen as how stakeholders perceives a company, something which can be affected by a number of factors such as direct experiences and other communications including media for example. While the definition by Gotsi and Wilson is just one definition of corporate reputation it is well-suited for this thesis since it considers direct experiences (purchases through/with a company for example) and other communications (such as the media) as factors which can affect the corporate reputation.

Rindova (2005) explains that reputation is a valuable and intangible asset which can be a competitive advantage, given that the reputation is good of course. It is shown in several studies (Fombrun and Shanley, 1990; Podolny, 1993; Roberts and Dowling, 2002) that there is a positive relationship between reputation and financial performance. It is therefore of importance to nurture one’s reputation in order to gain financial benefits from it. Fombrun and Shanley (1990) argue that it is the reputation of a company which can affect a corporate audience in choosing to invest in a company, in the career decisions and in choosing products. The audience compare different companies by assessing their reputation. A company with a good reputation can perhaps charge premium prices, attract the best workers and attract investors easier.

There are a number of empirical studies which tends to group together the concept of corporate reputation and legitimacy. These concepts can be similar to each other on some points or complementary even, therefore they need to be separated in order to motivate the reasons for using the concept of reputation and not legitimacy in this thesis. Legitimacy is not used in this paper because this thesis is more about how the corporate reputation of a company has been affected following negative discoveries about this particular company following a scandal, corporate reputation is therefore the main focus. It is however necessary to define legitimacy and review what has been done on the difference between legitimacy and reputation in order to illustrate the differences and similarities between the concepts.

While legitimacy can be defined as a state in which the object in consideration converge to rules, laws and social values (Parson, 1960; Weber, 1978) corporate reputation is not the same thing since it rather concerns how stakeholders perceive the company. There are a number of papers in
which legitimacy and reputation are compared to each other, showing similarities and differences between the concepts. The concepts have similar “antecedents, social construction processes and consequences” (Deephouse and Carter, 2005, p. 329). One difference is however that while the legitimacy definition focuses much more on social acceptance (organizations adheres to social norms and regulations), the reputation definition has more of a focus on organizations comparing to each other (Deephouse and Carter, 2005). Another difference is that “legitimacy is a perception that organizations conform with taken-for-granted standards” while “reputation is a perception that organizations are positively distinctive within their peer group” (King and Whetten, 2008, p. 192). Corporate reputations is therefore more about standing out from others while legitimacy is about fitting in.

Corporate reputation can be affected by a number of factors and one of them is scandals which is argued to damage the corporate reputation. The following section will review the concept of scandals in order to get a better understanding of what it entails and the effects of scandals.

2.2 Scandals
With the question of what characterizes a scandal and how a scandal comes to be it is necessary to clarify this.

Davis (2014) defines a scandal as extensively publicized allegations which damages or attempts to damage the reputation of another party. These allegations are explained by Davis (2014) to be either true or false, and at times, a mixture of both elements. The definition of a scandal illustrates that a scandal is often connected to negative outcomes; a scandal can lead to stakeholders having more distrust for the part/company involved in a scandal and the involved company can come out of a scandal with a damaged reputation (Davis, 2014). It also illustrates that a scandal often becomes a scandal once it is publicized.

An important part of a scandal is that it has to be common-knowledge in order to be considered a scandal (Adut, 2005). It is here that media can receive a great deal of power; something cannot be common-knowledge unless it becomes public and a way of making knowledge public is through media. It is simply not enough that the misconduct is widely known, it has to be publicized (Adut, 2005). Therefore, when a misconduct becomes commonly known it becomes a scandal. In its essence, scandals are social constructs which needs to be propelled by for example the media, the behavior or action in itself is not enough to lead to a scandal.
2.3 Scandals and corporate reputation

Scandals and reputation seem to go hand in hand. There are several studies in which it is mentioned that scandals either risk leading to or leads to damages to the reputation. Seeing that these concepts are intertwined there should also be studies where both scandals and corporate reputation are the main focus. The studies which combine the two concepts is therefore presented in the following text to further give a theoretical background for this thesis.

In a study by Chaney and Philipich (2002) the authors study the Enron audit scandal in which it is found out that Enron’s financial condition was not what it seemed; the company had committed accounting fraud. The audit firm working for Enron, the Arthur Andersen accounting firm, had shredded a significant amount of Enron’s documents and also accepted Enron’s flawed accounting. This scandal had an impact on Arthur Andersen’s audit reputation since stakeholders began to question all the audits which the firm had performed and therefore clients experienced a negative market reaction. The conclusion that is drawn is that this audit failure by Arthur Andersen in the long run impaired its auditor reputation and also the firm’s ability to attract clients and keep existing clients. It is safe to say that the Arthur Andersen firm received a great deal of media attention following the Enron scandal and this had a negative impact on the firm’s reputation. This media attention was likely not optimal for the Arthur Andersen firm and it did not gain from it in the long-run since the firm suffered from loss in clients and employees. In this study the scandal was explained to be negative for the Arthur Andersen firm and its clients but it is not discussed if there was anything gained such as increased visibility after the scandal. The fact that only the negative side of the scandal is highlighted sparks the question of what kind of positive effects a scandal could possibly have.

In a study by Jonsson, Greve and Fujiwara-Greve (2009) there is an interest in the negative effects, as well as the positive effects, of corporate deviance. Corporate deviance is brought up as something which can both damage the legitimacy of the responsible organization and other organizations, especially if the organizations are associated with the scandalized organization. Skandia AB, a Swedish insurance firm offering mutual funds, is used as the empirical example. It was involved in two scandals which in turn impacted other mutual fund providers owned by other insurance companies. In the paper media attention is used to test the hypotheses about how the Skandia scandal affected the organization itself and other organizations. It is theorized that organizations which are targeted by the press only pays the price as long as the articles are
written since most withdrawals, i.e. negative effects, happened when Skandia had the most media attention. There are however also some positive effects connected to the scandal; even though the number of people who withdrew transactions with Skandia increased there was also a higher number of people who did transactions with Skandia, the same was not true for the similar organization Handelsbanken. The thought that something good can come out of a scandal for the scandalized company is present in this example and also of interest to investigate further. Perhaps Skandia gained in visibility through the scandal causing more people to transactions with the company.

In a study by Knittel and Stango (2013) the authors investigate the stock market effects on sponsors and competitors to the sponsors following the Tiger Woods scandal. It was shown that 10-15 days after the scandal, sponsors such as Electronic Arts, Nike and PepsiCo lost more than two percent of their market value. In the paper, Knittel and Stango studies the reputational risk of attaching a celebrity to a brand since it can affect the stock price of a brand. It is explained that in the majority of earlier papers focuses mostly on the stock market effects and therefore Knittel and Stango have chosen to also use data from Google Insights. It was found that on days when “Tiger Woods endorsement” was more popular on Google, the sponsors’ losses were higher. Another measure which was used by Knittel and Stango was to measure how returns and information affect each other and this was done by looking at news related to the scandal and seeing how popular they were. This study by Knittel and Stango also focuses on the negative side of a scandal and there is not the same emphasis on the possible positive effects even though it is explained that media is used to investigate the popularity of the scandal.

In a similar paper to the previously mentioned, Louie et al. (2001) uses newspapers with varying kinds of “bad news” to estimate the effects on the sponsor; in case of “bad news” with little culpability for the brand endorser, such as a sports injury, the sponsor can actually gain value while “bad news” were the endorser is culpable, such as a DUI arrest, the sponsor can lose value. The study presents the idea that scandals can have a beneficial outcome in that it can lead to an increased value of the company perhaps because of more media coverage. In this paper there was not only a focus on the negatives of a scandal.

From these studies it can be concluded that there is some research on how scandals can have an impact on companies’ reputation, positive and negative, which has been measured through the
use of media but the emphasis has mostly been on the negative effects. These studies have also used market data in order to measure the effects of scandals which was not possible in this thesis since Klarna is not listed on the stock market. Media reporting is however used in this thesis to measure visibility and an alternative measurement is used for measuring corporate reputation which is explained further in the method.

2.4 Media reporting
It is of importance to attempt to illustrate what characterizes media reporting in order to use it in this thesis to explain the media effects following a scandal. This section will investigate the characteristics of media reporting.

Media is by nature fast-paced and constantly seeking new stories (Shoemaker and Reese, 1996). The attention of the media can shift from one story about an organization or industry to the next with speed. Since media reporting can vary from one day to the next the effect media reporting can have can also be described as temporary. Once media stops reporting on a certain issue the positive or negative effects, which might have come from the increased media attention, can go back to the way it was before (Jonsson and Edman, 2014).

While many previous studies have mostly, but not exclusively, focused on the negatives of increased media reporting following a scandal such as reduced investment in mutual funds (Jonsson and Edman, 2014) or plummeting market values for sponsors (Knittel and Stango, 2013) there could perhaps also be some positive side-effects of a scandal associated with the media reporting. These effects could for example come in the form of more visibility.

2.5 Visibility
Visibility is an important component of this thesis since it investigates if the visibility has been affected by the scandal and there is therefore a need to define the concept. Visibility is also closely related to the previously reviewed concepts such as scandals and media reporting.

Visibility is part of media reporting in that increased media exposure can lead to more visibility. Visibility is about awareness that something exists (Bushee and Miller, 2012). Increased visibility can be beneficial for a company; changes in visibility can for example have an effect on stock prices (Bushee and Miller, 2012). Visibility can also have an impact on investors in that an increased visibility can enlarge the investor base that are aware of the company which in turn can reduce the cost of capital for the firm (Bushee and Miller, 2012).
It is argued by Bushee and Miller (2012) that media coverage is an important tool in building more visibility. A scandal, which often do increase the media coverage, is therefore likely to increase the visibility of the company involved in the scandal. It should however be noted, as mentioned previously, that the increased visibility may be temporary since media is often quick at shifting their focus. It would be of interest to investigate further if visibility can be a lasting positive side-effect of a scandal since there are not many studies on this particular topic.

2.6 Hypotheses
A few hypotheses can be gathered from the previous sections. In this thesis there are four hypotheses. The first hypothesis is gathered from the uncertainty of whether or not the positive or negative effect of the scandal continue to be present even after the media has shifted their interest from the scandal. The second hypothesis is instead based upon the likeliness that a scandal would lead to more negative press about the company even in the long-run, since a scandal do not have very positive effects. The first hypothesis and the second hypothesis are also tested against the common null hypothesis that it reverts to the same level as before. The third hypothesis is based upon the fact that scandals do not generally benefit the reputation of the company involved. The fourth hypothesis is based on the expression mentioned earlier in which it is believe that notoriety is better than not being known at all, perhaps because notoriety could bring some benefits in the form of more visibility. The following hypotheses are tested in this thesis:

**Hypothesis 1:** Klarna continues to be more visible after the scandal compared to before the scandal.

**Hypothesis 2:** The media attention was more negative after the scandal compared to before the scandal.

**Hypothesis 3:** The media attention had a negative impact on Klarna’s reputation.

**Hypothesis 4:** It is better to be infamous than unknown.
3. Empirical setting

Klarna is a Swedish IT-company founded in 2005. The e-commerce company provides online storefronts with payment services. Klarna’s main idea is to make online purchases easier and also more secure (Klarna, 2016a). Klarna handles customer payments and take care of the claims for payments which eliminates the risk for sellers and buyers. The company then bills the customer through their email while paying the retailer in the meantime; it is this part of Klarna’s business model which differs from other companies since other payments services claim the payment directly from the customer and then forwards it to the retailer. The risk can be taken by Klarna because even before the invoice is sent out an algorithm is used to calculate the risk they are taking on for each customer (The Economist, 2011). If a customer is calculated to be too high of a risk it would not even be possible to purchase a product via the use of Klarna. The data used for calculating the risk is a combination of different data such as credit scores and consumer behavior; this includes information on for example the time of the purchase and data such as whether or not a name was written in or copied, the later may signal fraud.

Even though Klarna is a popular and growing company there has been a number of complaints from customers towards Klarna which was picked up by Swedish media during April of 2014, (Neurath, 2014a). In 2014, it was reported that a large number of complaints directed towards Klarna was sent to the Swedish Consumer Agency, (Bränström and Neurath, 2014). A number of customers claimed that they had received a reminder fee and a threat of debt collection without receiving the original invoice, something which was driven further by the statement done by a co-founder of Klarna where he claimed that “The best customer is the one that doesn’t pay directly” (Adalberth, 2013). With the unexpected fees being an issue for a large number of customers, people started to question if Klarna had begun incorporating unjustified fees into their business model, seeing that Klarna makes a significant amount of money off customers that do not pay in time with the use of the company Segoria (Neurath, 2014b).

Segoria is a collection agency which is an affiliate company to Klarna. With the use of Segoria Klarna is able to collect debts with greater ease. Klarna can issue fees through Segoria and these fees vary depending on how long the payment has been delayed. On Segoria’s website it is explained that the reminder fee is 60 SEK, the collection fee is 180 SEK and the fee for applying for an order to pay via the Enforcement Authority (Kronofogdemyndigheten) is 640 SEK,
(Segoria, 2016). The Enforcement Authority receive just 300 SEK out of the 650 SEK fee, this means that if all fees are added together Klarna receive 580 SEK for every customer they send to the Enforcement Authority. In the year of 2013 the Enforcement Authority received 34 000 cases from Klarna (Neurath, 2014b). Given that Klarna earns about 580 SEK for every customer that they send to the Enforcement Authority it is likely that Klarna benefits from customers that are late in paying the bills issued by Klarna.

It was the problems of lost invoices and unjustified fees following unpaid invoices which started the Klarna scandal in April of 2014. The scandal began when Svenska Dagbladet wrote a number of articles directed towards Klarna. Journalists working for Svenska Dagbladet were getting emails from customers which had experienced problems with Klarna’s invoices and fees (Neurath, 2014c). Some of these customers explained that they now avoided any company associated with Klarna because of the problems they had encountered with Klarna’s extra fees. The investigation towards Klarna and criticism of their methods was then also picked up by more newspapers and the scandal was therefore discussed further in media.

The media coverage also included employees of Klara, mainly the CEO at the time Sebastian Siemiatkowski, defending Klarna’s reputation (Siemiatkowski, 2014). There were also some reports on Klarna repaying or revoking previous fees (Neurath, 2014d). Through these series of events Klarna’s corporate reputation and visibility should have been affected.
4. Method
In the following description of the method the first section is about the way corporate reputation is measured in this thesis and also how visibility is measured. I then continue on to describe the text sources that are used, the way the text sources are coded and the different variables which are of importance in the thesis.

4.1 Measuring corporate reputation
Corporate reputation is a difficult concept to measure and the measurements in existence often have variables which are difficult to gather and measure themselves. There is for example the America’s Most Admired Companies (the AMAC index) which uses eight different variables to measure corporate reputation such as financial soundness, quality of products or services and long-term investment value. The Reputation Quotient (RQ) is another way of measuring corporate reputation and this measurement includes 20 items such as emotional appeal and financial performance. Both of these measurements are however criticized because of the AMAC index’ lack in theoretical grounding in the eight categories and because the Reputation Quotient relies too much on cognitive elements (Sarstedt, Wilczynski and Melewar, 2013).

Since it is even difficult to define what corporate reputation is, as seen in the literature review section, the measurement used in this thesis is more simplified compared to previously mentioned measurements such as the AMAC index and the Reputation Quotient.

The measurement for corporate reputation used in this thesis is based on customer review scores. The reasoning behind using customer review score as an alternative way of measuring corporate reputation comes from the definition used to explain corporate reputation in this study. The definition used in this paper puts forward that corporate reputation is about stakeholders’ perception of a company (Gotsi and Wilson, 2001). In Klarna’s case the final customers is one category of stakeholders; the customers can be affected by the actions of Klarna and therefore they are stakeholders. There are also other stakeholders such as employees, owners, society and the government, these stakeholders do not however leave review scores on Klarna, at least not to the extent that the final customer does. There is therefore only data which can be said to represent one stakeholder’s perception, the final customers of companies, and this data comes in the form of online reviews. Even though the final customer is not directly connected to Klarna in the way that the retailer can be connected to its customers, since Klarna is a payment service company,
Klarna does become connected to the customer once it has taken over the purchase from the original retailer.

There are a number of sites where people can give companies a score from one to five and write a review about the company; examples of such Swedish rating sites are Eniro’s yellow pages, Trustpilot and Reco. The second reason for using customer reviews is one of the only accessible type of data which can give an insight into how stakeholders feel about or perceive a company. The other measurements such as the AMAC index and the Reputational Quotient would require the use of surveys (Sarstedt, Wilczynski and Melewar, 2013).

The reviews gathered are from between the first of January 2014 to the last of July 2014. The time period is chosen in order to see how the reviews has changed from three months before the Klarna scandal was picked up in April 2014 to eight months after the scandal, the month of the scandal (April) is also included. The reviews are gathered from the three rating sites mentioned i.e. Eniro’s yellow pages, Trustpilot and Reco.

It is worth noting that because of this way of measuring corporate reputation is a new alternative there may be some flaws to it such as the type of customers leaving reviews; it may be possible that the customers giving reviews are either the ones with an exclusively bad experience with Klarna or customers with entirely good experiences with the company. Having this in mind it may be possible that the customers giving reviews do not represent Klarna’s whole customer base but just the extremes. This is of course not certain but it is necessary to mention in order to also give a clear view of a downside of this measurement.

Only Swedish reviews are used since this thesis has a focus on Klarna’s corporate reputation in Sweden. The reason behind choosing to study Klarna’s reputation in Sweden is because a large portion of Swedish e-commerce happens through the use of Klarna and the scandal with unjustified fees therefore seems to have mostly affected Swedish customers (Klarna, 2015b). The fact that the Swedish customers stands out in the statistics as customers who are more likely to use invoices when paying over the Internet (Klarna, 2015b) does make Sweden a better choice since it was the problems with invoices which caused the greatest problems.
4.2 Measuring visibility
In order to find out how Klarna’s visibility has been affected by the scandal of April 2014 there is a need to measure the number of articles before the scandal, during the scandal and after the scandal. By counting the number of articles three months before the scandal, the month during the scandal and eight months after the scandal it could be possible to identify if the scandal has had any effect on Klarna’s visibility. Visibility is as mentioned earlier in this thesis defined as awareness of existence and increased visibility can be beneficial for the company experiencing it since it can for example lead to easier access to capital and an increased market value.

It is also of interest to see if the articles about Klarna are more negative or positive before, during and after the scandal since it could give a further indication on what kind of publicity Klarna received. How the classification of positive and negative articles have been divided is further explained in the section on coding text data.

4.3 Text sources
For this study the text data is gathered from newspapers. The text sources are in full text and are from between the first of January 2014 to the 31st of December 2014. The texts are gathered through a media archive search in the database Retriever Research in which the company name “Klarna” is used to sort out relevant articles. Since “klarna”, with a lowercase first letter, is a relatively common word in the Swedish language the articles which do not concern the company Klarna are sorted out.

The articles that are gathered from newspapers are from a number of Swedish papers such as Svenska Dagbladet (SvD) and Dagens Industri (DI); a full list of all the newspapers used in this thesis is provided in the Appendix. The selection of newspapers is narrowed down to web-based newspapers because the number of people reading web-based newspapers are increasing while the number of people reading printed newspapers are decreasing (Axelsson, 2009). The newspapers which are used are mainly concerned with business-related news because these are the papers in which a company such as Klarna is more likely to be mentioned.

Since some articles can come in duplicates there is also a need to sort out articles which are simply copies of other articles. In many cases the same article are published twice on the same news-site. The sorting out of duplicates is done in order to give a clearer view of how many individual articles that are actually negative, positive or neutral; the copies can alter the number
of articles in each category in a way which would not have given a representative image of how many articles that are negative, positive or neutral in reality.

4.4 Coding the text data
The text data gathered is from between January 2014 and July 2014. The gathered articles are coded manually which means that the articles are read and then divided into three categories depending on the assessed tone towards Klarna in them. The articles are categorized as positive, negative or neutral. A number of articles focus solely on Klarna while other articles only has a few sections about the company. When the latter type of article is coded it would be misleading to use the whole text when categorizing and therefore only the parts about Klarna are used to interpret the tone.

The method which is used to code articles in this thesis is connected to discourse analysis. Discourse analysis can be defined as the study and analysis of languages used to understand the meaning of a text at a “meta” level (Hodges, Kuper and Reeves, 2008). This means that it is not simply what is explicitly written but the meaning behind it that is of importance. A discourse analysis is involved when categorizing articles into negative, positive and neutral categories; the text is analyzed and used to understand the tone of the text.

4.5 Variables
In this thesis there are five variables which are used to test the hypotheses presented previously in this paper. Each variable is connected to the measurements that have been presented. The following variables are selected to test the hypotheses:

Variable 1: Number of negative articles about Klarna per month between January 2014 and July 2014

Variable 2: Number of positive articles about Klarna per month between January 2014 and July 2014

Variable 3: Number of neutral articles about Klarna per month between January 2014 and July 2014

Variable 4: Average review score on Klarna on a scale of 1 to 5 per month between January 2014 and July 2014

Variable 5: Number of articles about Klarna between January 2014 and December 2014
Variable 1 and variable 2 are of more interest for this thesis compared to variable 3; variable 3 is an extra variable which is needed to sort out articles that are neither negative nor positive. Variable 4 and variable 5 are also of importance since variable 4 is used as an alternative way of measuring corporate reputation while variable 5 measures Klarna’s overall visibility between January 2014 and December 2014.
5. Results
In the following section the results from measuring corporate reputation and visibility is presented. The results from coding the text data into the categories positive, negative and neutral is also included. The section begins with the results from measuring the average customer review score which is gathered from three online sites where customers are able to score companies. I then continue on to the measuring how many articles that are about Klarna. The results section ends with the coding of text data to see how the scandal has affected the tone towards Klarna in the articles.

5.1 Results from measuring corporate reputation
Corporate reputation is measured by the use of customer scores. A total of 146 scores were gathered from three webpages Eniro’s yellow pages, Trustpilot and Reco. The scores, which were given to Klarna by customers on a scale of one to five are gathered and divided into the month when the score was given. The scores for each month are then summed up for each month. The sum is then divided by the number of scores given each month in order to find the average score given to Klarna per month. The number of reviews that were made by customers are also included in the diagram in parentheses. The results are presented in Diagram 1:

![Diagram 1 - Average review score per month](image-url)
In January the customer gave an average score of 1,7 to Klarna. February had an even lower score than January; customers only gave an average review score of 1,6. In March the score was at its lowest, averaging at just 1 point out of 5. The scoring then increased for the month of April to 1,8, which was the month of when the scandal was picked up by the media. The average review score then declined again to 1,5 in May. In the months of June the average score increased to 3,6 which is a significant increase compared to the previous month were only 1,5 was given on average. An even higher average score was shown in the last month, July, on average customers gave Klarna a score of 3,8. The average review score was therefore lower during the three months before the scandal compared to the three months after the scandal.

In Diagram 1 there is also a number in parenthesis which shows how many reviews that were made by customers each month; this is added in order to illustrate the differences in number of reviews made each month. The number of reviews that were made are on almost the same level during the first three months of the year and also during May (around 8-15 reviews were made). It is only in April, June and July that the number of reviews increases to either the double (26 in April) or triple amount (33-37 in June and July) compared to the three months before the scandal.

5.2 Results from measuring visibility
To measure Klarna’s visibility starting from January of 2014 and ending in the December of 2014, the total number of articles in which Klarna is mentioned is used. In this measurement all the articles are used independent of whether or not the articles are positive, negative or neutral. The results from measuring visibility through articles is shown in Diagram 2:

Diagram 2 - Total number of articles on Klarna (Visibility)
In January the number of articles on Klarna was the lowest out of the twelve months, Klarna was only mentioned in 23 articles. In February the number of articles on Klarna climbed higher to 68 articles but this number decreased in March to 47 articles, it was however still higher than in the first month of the year. In April the number of articles on Klarna spiked, 131 articles were written during the month of the scandal. After April the number of articles started to decrease once again to 55 in May. In June the decreasing trend continued, only 38 articles were about Klarna. In July the number of articles were as low as the beginning of the year, only 25 articles mentioned Klarna which is only two more articles than in January. In August however the number of articles started to increase again to 41 articles. In September the number of articles were even higher at 81 articles. October stood for a decrease however as the number of articles went down again to 53 articles. November was another month in which the number of articles increased, 58 articles could be found on Klarna. Also December showed an increase in number of articles, 68 articles were published.

5.3 Results from coding the text data
In order to code the text data into the categories positive, negative and neutral, the articles are coded manually. The results from the coding of the articles are shown in Diagram 3:

![Diagram 3 - Positive, negative, neutral and total number of articles](image-url)
In Diagram 3 it is possible to read the differences in number of articles considered positive, negative and neutral. The green line is read as all the articles where Klarna received positive publicity. The red line on the other hand shows all the articles in which Klarna is mentioned in a negative way. The grey line is all the articles which are considered neutral, they could neither be considered positive nor negative. An extra line is also added, the yellow line, and this shows the total number of articles. The reason for adding the total number of articles is to give a better overview of the articles; this shows the negative, positive and neutral articles in relation to the total number of articles which makes it possible to compare the overall trends.

The number of positive articles was low in January, only 6 positive articles could be found about Klarna. The number of positive articles climbed higher in February to 31 articles. In March the number of positive articles dropped back to a lower number, 18 positive articles were about Klarna. In April the number of positive articles dropped even further down to 13 articles. In May however the positive articles went up again slightly to 14. After the small increase in May the number of positive articles went down in June to 10. The same thing happened in July when the number of positive articles about Klarna went even further down to only 7 articles, almost to the same level as in the beginning of the year.

In the month of January the number of negative articles were lower than the positive articles, 0 negative articles were written on Klarna in the first month of 2014. The negative articles continued to be low in February as only 1 article could be found that showed Klarna in a bad light. In March the number of negative articles was also low since the total number of negative articles came out as 0. In April the negative articles spiked at 54 articles and this is a significant increase from the previous months of January, February and March during which the number of negative articles were either at zero or close to zero. The fast increase in number of negative articles in April decreased at almost the same speed in the month of May, only 2 negative articles on Klarna could be found during the month of May. In June the negative articles started to rise again as 10 negative articles could be found. The number of negative articles decreased however in July to almost the same amount as the beginning of the year, 3 negative articles were written during the month of July.

The number of neutral articles in January were higher than the positive and negative articles combined, 17 neutral articles could be found in the month of January. In February the number of
neutral articles were even higher at 36 articles. The number of neutral articles dropped slightly in
March to 29 articles. In April the number of articles more than doubled compared to the previous
month since 64 neutral articles mentioned Klarna. In May the number of neutral articles dropped
again to a number closer to the months before the scandal, 39 neutral articles mentioned Klarna.
In June the number of neutral articles decreased even further to 18 articles. In the last month,
July, the number of neutral articles were at its lowest at only 15 articles, that is an even lower
amount than in the month of January. The neutral articles were always higher in number than the
positive and negative articles. The neutral articles more or less followed the same pattern in terms
of numbers as the negative articles except in February when the neutral articles went up instead
of staying at the same level and in June when neutral articles decreased while negative articles
increased.
6. Analysis and discussion
A scandal often has negative outcomes and are attempted to be avoided at all costs. A question can however arise concerning if scandal companies also can receive some benefits in terms of visibility. Increased visibility can come as a positive side-effect of a scandal and it can for example make it easier for a company to gain access to capital or at times have an effect on stock prices. Visibility is about the company showing that it exists and so it can perhaps be positive to get your name out even though it is through a scandal. In this thesis I developed theoretical argument that while the corporate reputation might be damaged from a scandal it can also lead to increased visibility for the company in question, hopefully visibility that continue on in the long-run.

The prediction about how Klarna’s visibility has been affected by the scandal was carried out by counting the number articles which Klarna was mentioned in to find out if the company’s visibility changed after the scandal compared to before the scandal. The tone in the articles towards Klarna before, during and after their scandal was picked up by the media in April 2014 was also investigated to assess the kind of visibility/publicity Klarna received. The prediction of how Klarna’s corporate reputation had been affected by the scandal was also carried out in the thesis, this time by testing how customers’ average review score of the company changed three months before the scandal, during the month of the scandal and three months after the scandal. The review scores were also found to have an alternative use since they could indicate a shift in number of reviews made before, during and after the scandal which could be used in studying Klarna’s visibility.

The following section begins with analyzing and discussing the results on visibility from counting the articles and coding of the text data. The discussion and analysis then continue on to the effects of the scandal on corporate reputation.

6.1 Tone in articles and visibility
When Klarna was accused of not sending out invoices and taking out fees directly in April of 2014 the scandal began since it was at this time that the misconducts became common-knowledge through media and complaining customers. The misconducts of Klarna started debates on whether or not Klarna’s business plan was immoral seeing that the company was able to profit from customers that received fees through their affiliate company Segoria, The fact that
some of the original invoices were claimed to not even make it to the customers sparked a disliking amongst a large group of people since it could suggest that Klarna had incorporated this immoral behavior into their business.

The visibility did increase for Klarna after the scandal. The findings showed that the number of articles about the company after the scandal generally increased to a higher level compared to the first month of the year of 2014. This increase can be seen in most months, excluding the summer months June, July and August which showed findings pointing to less visibility but this could perhaps be explained by the fact that newspapers do not produce as much articles during the summers. Media began reporting more about the supposed immoral behavior of Klarna in April which was picked up by more newspapers as time went by and therefore Klarna’s visibility increased during the scandal period of April. While the gain in visibility did not stay on the exact same high level as in April it still was generally on a higher level compared to the months before the scandal. The results would suggest that the scandal did have a positive effect on Klarna’s visibility, positive in that it did continue to be higher in the months after the scandal. Media continued to write a higher amount of articles about Klarna even when the interest on their scandal began to decrease.

The number of review scores made by customer could also indicate that Klarna’s visibility increased after the scandal. There was a significant increase in the number of reviews made after the scandal compared to before; the number of reviews almost tripled after the scandal compared to before. One reason could be that people heard about Klarna through media because of their scandal. The increase in reviews could suggest that Klarna became a more well-known name, something which was expected to happen through the scandal.

Going back to the thought of “better notorious than not known at all” the findings are supporting the first hypothesis of there being more media attention for Klarna after the scandal compared to before, it did not go back to the same levels as before the scandal. The difference between the amount of articles about Klarna in January and in December was significant; the number of articles about Klarna tripled in December compared to January. Including the increase in customer reviews after the scandal it is a further indication that it is better to be infamous than unknown.
Even though Klarna’s visibility did increase there is also a question about the tone towards Klarna in the articles since scandals are associated with negative outcomes and press. The negative articles were most prevalent during the scandal, whereas before the scandal the number of negative articles were closer to zero. The increase in number of negative articles can be seen as expected since a scandal does, in some cases, seem to lead to more negative press during the scandal period (Jonsson, Greve and Fujiwara-Greve, 2009). After the scandal the number of negative articles also stayed at a higher level compared to the months before the scandal. At the same time the number of positive and neutral articles was higher before the scandal but dropped during and after the month of April. The fact that the articles continued to be more negative in the three months after the scandal compared to the three months before could indicate that a negative tone following a scandal can last even in the long-run. Hypothesis two, suggesting that there should be more negative articles after the scandal, can therefore be said to be supported since the articles were more negative after the scandal compared to before. The results would in total indicate that the media attention was more negative after the scandal compared to before. The negative effect following the scandal did however level out as the months passed the scandal which could indicate that the negative articles would decrease even more as time pass. The increased visibility continues on however which further strengthens the expression of it being better to be infamous than unknown.

6.2 Corporate reputation
The average review score from final customers, which was used to show Klarna’s reputation amongst its final customers, did increase as more time passed after the scandal and the scores were in general higher after the scandal than before and during the scandal. As stated previously the definition used for this thesis to describe corporate reputation is the stakeholders’ perception of the company which allows for an alternative use of average review scores to measure corporate reputation. Since the overall trend was that the average scores were low before the scandal, increased during the scandal and then mainly increased after the scandal again it would suggest that Klarna’s reputation was better after the scandal compared to before. This could be the effect of Klarna attempting to defend their reputation through articles arguing that they had not done anything wrong and also by them revoking fees.

The already low scores in January and February would suggest that Klarna’s reputation was not optimal before the media picked up on the invoice problems in April. January and February could
perhaps be the months where Klarna’s negative reputation had already been built up. The even lower average review score in March could perhaps be the breaking-point at which the scandal was bound to be picked up by the media sooner or later; it may have been this month that customers started to complain about Klarna to a higher degree than before on the rating-sites and perhaps felt that they were being treated unjustly without Klarna having to take responsibility for their behavior. The growing dissatisfaction amongst the customers might therefore be reflected especially in the average score in March which was just before SvD did a thorough investigation on Klarna.

After March the average score increased in April however, something which may occur as strange since this is the month when the scores perhaps should be the lowest; since scandals do not tend to have a positive impact on the reputation. The increase in average score in April can of course have various explanations. One reason might be that the increased visibility Klarna received in April could have influenced the customers’ ratings; more customers can have disagreed with the negative articles and instead given a more positive score in their review of the company. Another reason for the higher average score in March can be due to Klarna’s responses; when a scandal occurs the people involved/responsible also often attempt to defend themselves and this could perhaps have affected Klarna’s average score in April.

In May the average review score dropped again however but in June and July the scores increased. The low score in the month of May can have resulted from the effects of negative publicity which Klarna received in April; it might have taken some time for the articles to have an effect on Klarna’s reputation amongst customers, at least on how they leave a score. Customer might also have expected Klarna to correct their behavior faster or to a greater extent and therefore might have increased customers’ expectations leading to lower scores in their reviews.

The significant increase in the average scores in June and July can perhaps be explained by Klarna having to take more responsibility for how they treat customers following the increased visibility and these months are perhaps when the improvements happened since it is likely to take a while before routines can be changed. As stated earlier Klarna decided to revoke a number of fees after the media picked up on the problematics associated with them. This could of course have had a positive effect on the review scores since it was one of the main problems that
customers complained about. With Klarna having solved the most urgent problem, the unjustified fees, for a number of customers they may have left a better review score.

The third hypothesis was that the scandal should have a negative effect on Klarna’s reputation. In the findings it can be seen that Klarna’s reputation did not suffer to the degree that would have been expected due to the scandal, at least according to the review scores given to Klarna by their final customers. As stated the average review score was higher after the scandal in comparison to before the scandal. Because of these findings the third hypothesis cannot be said to be supported since there is no clear evidence pointing to the fact that Klarna’s reputation was affected negatively by the scandal.

From the findings on visibility and corporate reputation it is also possible to say something about the fourth hypothesis concerning if it is better to be infamous than unknown. The results shows that Klarna did experience an increase in visibility after the scandal and that their reputation did not suffer due to the scandal, therefore the fourth hypothesis is supported.
7. Conclusion
The research question was about how Klarna’s visibility and corporate reputation have been affected by the scandal. The question includes if there have been some benefits with having the scandal for Klarna, in this case the benefits would come in the form of more visibility which is related to the expression of “better being notorious than not know at all” and also the expression “any press is good press”. If it in fact would be better to be infamous than unknown there should be some benefit to gain from being infamous. Another interesting question is also if there is some long-term positive or negative effects from having the scandal which continue on even after media has lost interest in the scandal.

Klarna’s visibility did increase after the scandal compared to before the scandal according to the findings. The number of articles about Klarna was generally on a higher level after the scandal compared to before the scandal. The number of reviews made by customers were also higher after the scandal, indicating that Klarna’s company name became more well-known. The results would therefore suggest that the scandal did have a positive effect for Klarna in terms of visibility. It was possible to find positive effect on Klarna’s visibility in the long-run which would suggest that the positive effects of increased media coverage on their visibility was present even after when the scandal was the main focus of the media. The continuation of increased media attention, where the scandal was not the main focus, indicates that Klarna’s visibility benefited from the scandal.

The categorization of negative, positive and neutral articles showed that the scandal led to more negative articles about Klarna. Even though the number of articles about Klarna was on a higher level after the scandal compare to before they were more negative after the scandal. The number of positive and neutral articles decreased in the three months after the scandal in comparison to the three months before the scandal. The higher ratio of negative articles is not a positive sign since it may indicate that the negative effects of the scandal, bad press, can at times continue on. One positive trend can however be spotted from the results on the tone in articles towards Klarna. Even if the articles were more negative after the scandal, the negative articles were also decreasing and this could suggest that the negative articles could come down to the same level as before the scandal.
The alternative way of measuring corporate reputation through average customer review scores on Klarna gave a positive. While the review scores dropped the month directly after the scandal in May, the scores mainly increased after the scandal, at least in June and July. The results would therefore indicate that Klarna’s corporate reputation did not take as much damage as would have been expected given that scandals often are pointed out as clear ways of hurting a company’s reputation. The media effects on Klarna’s corporate reputation was the opposite of what was expected, it improved after the scandal.

There are four hypotheses in this thesis which have been tested. The four hypotheses are not all supported by the findings but a majority of them are.

The first hypothesis is that Klarna would continue to be more visible after the scandal compared to before and this hypothesis is supported in the thesis. As stated Klarna did increase their visibility after the scandal in comparison to the months before the scandal. The hypothesis is based upon the idea that a scandal could have some positive side-effects even if it damaged the corporate reputation.

The second hypothesis is that the media attention would be more negative after the scandal compared to before the scandal and this is also supported by the findings. It was expected that even though Klarna’s visibility would increase that part of this visibility would be more negative since scandals do have negative associations and does not often lead to companies being written about in more positive words. It also turns out that the negative articles continued to be a higher ratio of all the articles after the scandal. The second hypothesis was therefore supported.

The third hypothesis is on media attention having a negative impact on Klarna’s reputation. This hypothesis is not supported since the scandal did not have the same amount of damage on Klarna’s corporate reputation as would have been expected. It was, as mentioned before, expected that a scandal should have a negative impact on the company involved in the scandal or at least that a scandal would create the risk of damage to the reputation. The alternative measurements which was used on Klarna’s reputation shows the complete opposite of what was expected; the average review score increased significantly after the scandal. This was perhaps because the scandal had been somewhat forgotten in June and July by the media at least and perhaps also the customers.
The fourth hypothesis about it being better to be infamous than unknown is supported since there was an increase in visibility, shown through increased media coverage and increased customer reviews and also through the findings that corporate reputation did not take damage from the scandal. The results show that there can be positive effects on corporate reputation and visibility following a scandal and not only negative effects.

7.1 Suggestions for future research
In order to investigate the media effects on corporate reputation and visibility further it would be necessary to use a larger time frame. Since the time period used in this thesis only stretched as far as one year it would be of interest to extend the period of time studied in order to understand the effects of a scandal. A comparison between two consecutive years, one being the year of the scandal, could perhaps also give new insights to the effects of a scandal on corporate reputation and visibility.
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APPENDIX
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