

The Cost of Smart Financial People Being Ignorant About Image Marketing = \$21 Billion+

Executives from Goldman Sachs looked like a pack of deer in headlights as they answered questions from US Senators. They did not reassure the viewing public that they have nothing to hide. What could they have done? Apologize for inappropriate e-mails, explain that hedging is what companies in their business do, and suggest the rules that govern the rating of risky investments be changed.

Reputation is based on trust, and trust is a precious asset that is difficult to create and easy to lose. Then, why have Bank of America, AIG, Citibank, and now Goldman Sachs made so many missteps that erode the public trust?

The only answer that makes sense is that Wall Street — itself a metaphor for the entire financial industry — has followed the mantra of the movie by the same name — “Greed is good.” Of course, they seem to have forgotten that the movie ends with the greedy getting major jail time, seriously tarnished reputations, and lost fortunes. If they had a deeper understanding of marketing, they would know that the consequences of greed are more akin to Aesop’s fable where the central characters end up killing “The Goose that Laid the Golden Eggs.”

As allegations mount against Goldman Sachs, the public trust in our financial institutions erode even further. The SEC has launched a civil lawsuit against Goldman Sachs for fraud — making Goldman a scapegoat for the public’s distrust of Wall Street.

Is what Goldman Sachs did more greedy or nefarious than what other financial institutions and organizations have done? Not likely. Big banks, such as *Bank of America*, have been getting “free” money from the Federal Reserve while refusing to lend it to the people that really need it to finance their businesses and home purchases while heaping lavish bonuses and perks upon themselves. On the other hand, an employee of Goldman Sachs, Fabrice Tourre, structured and sold a questionable investment (ABACUS 2007-AC1) to foreign banks — IKB and ABN-Ambro/RBS. These banks have knowledgeable people on staff that could assess the risk of these investments. They either did not do sufficient due diligence or they thought they could “make a killing” if this risky investment paid off. Therefore Goldman Sachs’ actions do not rise to the level of the shoddy lending practices of the big “main-street” banks that precipitated the financial crisis in the first place — destroying an estimated \$60 trillion of wealth.

So why is Goldman Sachs being targeted? Instead of positioning their actions as the successful implementation of a hedge strategy that is common in their line of business, they have made it easy for politicians to use them to further their own political agendas. The *Tea Party* people are labeling them as evil outsiders engaged in ruining the lives of people on Main Street. At the same time, the Obama Administration is using them to push for financial reform and to counteract the “bailing-out-Wall Street” baggage they inherited from the Bush Administration.

It is politically inconvenient for the Administration to go after the big banks, such as Bank of America or Citigroup, whose stockholders and customers represent many more voters than Goldman Sachs. Going after Goldman gives them the greatest political returns for the lowest costs — especially since the *Reputation Institute’s* latest survey as reported in *Forbes*, ranks Bank of America, Goldman Sachs, Citigroup, and AIG amongst America’s least reputable companies. The damning revelations in selected Goldman e-mails and the Senate hearings make them a more

appealing target.

Instead of employing best marketing practices to restore the public trust, Goldman Sachs is focusing on their legal strategy. Since wrongdoing will be very difficult to prove, many legal experts believe they will prevail in any fraud lawsuit. What they really need to do is focus on restoring their reputation. If they don't, it will further derail Wall Street's efforts to recover after the financial crisis.

Why is this so important?

Wall Street is an essential resource for getting the world out of the worst recession since the Great Depression. It is a formidable capital-raising machine essential for underwriting the growth of the world's economies. If it does not repair its seriously damaged image, it will continue to be a political football used by politicians to get elected and to further less-productive agendas. If Goldman Sachs and others on Wall Street don't improve their marketing prowess, they will kill the goose that lays the Goldman eggs and cause this recession to drag on for many painful years.

As a result of this crisis being improperly handled, Goldman Sachs stock has lost \$21 billion. The total cost from the damage to their corporate image is likely to go much higher.

Short Bio

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