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Professors see BP brand under stress from spill

By [Steve Gelsi](#), MarketWatch

NEW YORK (MarketWatch) -- BP's green and yellow brand marker may be in peril, along with the beleaguered oil giant's chief executive Tony Hayward, as the oil spill crisis in the Gulf of Mexico drags on, marketing and management professors speculated this week.

Now moving past the seventh week since the Deepwater Horizon rig exploded off the coast of Louisiana, killed 11 workers, and caused the worst oil spill in U.S. history, BP PLC (NYSE:BP) finds itself under growing pressure from the White House, regulators, and legions of liability lawyers.

BP considers dividend cut

BP is considering reducing its dividends to help quell political uproar against the company. Meanwhile, the U.S. raised estimates of the oil gushing from the crippled Gulf of Mexico well.

It also faced rumors of bankruptcy on Wall Street this week as its shares touched a 16-year low, but bounced back. See: [BP hit by doubts over ability to pay spill costs](#).

BP's white, green and yellow logo, which features the shape of a sun and lower-case letters in green, symbolizes "dynamic energy in all its forms," BP says on its Web site.

The company changed its name to BP from British Petroleum after the company merged with Amoco in 1998.

If gasoline buyers in the U.S. start shunning BP stations in significant numbers, it may be forced to revive the Amoco brand it acquired in 1998, but that probably wouldn't work, said Ronald Goodstein, an associate professor of marketing at Georgetown University.

"If I'm a competitor, I'd let everyone know that this is BP," Goodstein said. "This is a brand that is short-lived in America."

BP could find itself at risk to a customer boycott, he said. After the Exxon Valdez oil spill of 1989, 20% of Exxon customers said they would no longer buy gasoline from the company, and then about 3% to 7% actually followed through.

Since the BP spill has turned out to be worse and has dragged on for months, its risks on that front could be higher, he said.

Goodstein said BP's current attempt to salvage its brand in an advertising blitz comes up short because of numerous gaffes by Hayward and the company.

Hayward initially said the company would be faced with frivolous lawsuits, and at congressional hearings, BP officials engaged in finger pointing for blame in the spill with Deepwater Horizon contractors Transocean (NYSE:RIG) and Halliburton (NYSE:HAL). Another comment from Hayward that he wanted his life back also drew criticism.

Goodstein dismissed at "puffery" BP's ad campaign.

"It would be interesting if you take Hayward's statement that the accident wasn't all their fault and put it next to the clip from the ad that says, 'We take full responsibility,' and the quote about the frivolous lawsuits," he said. "The CEO has totally blown it. He's cost them hundreds of millions in terms of his public relations blunders. He's done so much to damage the good will of the brand."

BP spokesman David Nicholas said the oil major has no plans to use the Amoco band again, and Hayward's job remains secure.

"The board fully supports Tony Hayward's leadership of the company," Nicholas said in an email to MarketWatch.

Bruce Kogut, director of the Sanford C. Bernstein & Co. Center for Leadership and Ethics at Columbia University Business School, said Hayward was brought in to improve the company's reputation after a refinery explosion in Texas City killed 15 people and injured 170 in 2005. There also was a 2006 oil pipeline spill in Alaska.

Kogut described Hayward as a "well-trained, hard-working engineer" but said he's proven to be "poorly suited for the crisis at hand."

BP's board of directors is no doubt weighing whether to fire Hayward, but it has to be done in a way to avoid further legal action against the company.

“They have to be looking at it because they’re going to see huge legal and regulatory costs as well as the destruction of their brand,” Kogut said.

Gregory Evans, partner at the law firm of Milbank Tweed Hadley McCloy LLP, said BP will face “many billions of dollars” in suits.

“The natural resource damages here will be enormous,” he said. “The calculations of that will take some time.”

He said the spill could also lead to litigation between insurance companies that cover the parties involved, including BP, rig owner Transocean, well cement work provider Halliburton and Cameron International (NYSE:CAM), the maker of the blow-out preventer on the well. Anadarko Petroleum (NYSE:APC) owns a 25% stake in the well.

“This could turn into a litigation free-for-all, and that would be unfortunate,” Evans said. “I’d recommend that the American Bar Association or other organizations ... consider a commission to evaluate the ways in which companies and victims can streamline the litigation process.” Such a move could save years of time and hundreds of millions of dollars, he said.

Steve Gelsi is a reporter for MarketWatch in New York.