

# AdvertisingAge®

## Tips for Avoiding Chinese Burn

*Published: August 20, 2007*

The "Made in China" label that once meant inexpensive is quickly coming to mean unreliable. "Any product made in China is now vulnerable," said Helio Fred Garcia, New York University professor of crisis management. "You don't want to be the company that seemed not to care when the world noticed that Chinese products were unsafe." So what's a marketer to do?

### **Plan In Advance.**

Larry Smith, president of Institute for Crisis Management, said marketers should have three crisis-management plans ready—operational, communications, and business-recovery or continuity plans. "In my many years, I've only seen one company that had all three. Most have an operational plan because it's required by their insurer or their industry. Less than half have a communications plan, and even fewer have a business-continuity plan, which is still relatively new," he said.

### **Don't Delay.**

"The worst thing you can do is delay telling the consumer or deny," said Ted Morris, senior VP-global alliances at BrandIntel. "Rather than panic, take the plan you should already have in place and mobilize."

### **Monitor Your Program.**

Be sure to tweak or change your crisis program as necessary. "This is exactly why you should be using a brand-monitoring service," said Cymfony Chief Marketing Officer Jim Nail. "You can find out what the core issue is for consumers. How are your messages being received? ... Just going to Technorati or Google and doing a search is not enough."

### **Don't Start Blogging About It**

You'll likely be seen as opportunistic, Mr. Nail said. However, if your company already has a blog and is established in the blogosphere, use

it as one of the ways to keep connected to the community you've already built.

## **Don't Overlook Consumers Beyond the Obvious Core Market**

While the concerned may initially be pet owners or parents of young children, don't assume they're not talking to others about it. "This kind of thing has a lot of word-of-mouth," Mr. Nail said.

—BETH SNYDER BULIK

# **Brands Blind to China Crisis**

## **Experts Slam Marketers for Sticking Their Heads in the Sand**

By [Jeremy Mullman](#) and [Jack Neff](#) *Published: August 20, 2007*

CHICAGO (AdAge.com) -- What, me worry? A number of marketers are betting (or silently praying) that killer pet food, contaminated toothpaste and poisoned toys aren't enough to permanently scare consumers away from the "Made in China" label.

Despite scandals that have shaken consumer confidence in products imported from China, marketers outside of those affected segments -- including those who use imported food ingredients -- say they aren't taking any extra measures to lighten the baggage the label now carries.

Miller Brewing Co., for example, is planning a U.S. rollout of China's top-selling beer, Snow, for the fourth quarter, and a Miller spokesman said it won't be doing anything differently in the wake of last week's latest China-quality scandal, in which Mattel issued its second lead-paint-based toy recall.

Nor, he said, is Miller even worried the issue will hurt sales. "We are not concerned," he said, adding that the brand is aimed at markets with large Chinese populations that ought to be familiar with Snow. "Given the current U.S. consumer demand and success of ethnic foods and beverages, we believe the product positioning is still strong enough to have a successful launch and our plan is to go full-steam ahead."

### **Benefit of the doubt**

While beers are pasteurized -- a purification process that ought to ensure safety as long as brewery conditions are sound -- crisis-communications experts said it's shortsighted for marketers to assume consumers will give Chinese imports the benefit of the doubt.

"A strategy of not bringing up a sensitive issue because you don't want to stir the pot is really foolish," said Brian Dobson, a veteran crisis-communications specialist with experience on product recalls and consumer complaints in the food and pharmaceutical industries.

Yet marketers in industries that source ingredients from China were keeping a low profile on the issue.

Spokesmen for major food suppliers ConAgra and Kellogg said they had no plans to take additional steps to promote their quality-control measures. "What I can say is that we do source our ingredients domestically and internationally," a ConAgra spokeswoman said, "and we have a system in place to make sure we're working with reputable suppliers."

Kellogg, which does source some raw ingredients from China, said it is dealing with customer concerns -- it wouldn't say how many -- through its 800 number.

### **Activist approach**

A more activist approach, not surprisingly, is being taken in the industries already paying for China-related product-flaw issues. The toy industry -- which typically pulls in about half of its \$22 billion annual sales during the fourth quarter -- is looking to minimize the fallout before its crucial holiday season by emphasizing that the recent recalls at Mattel are product- and company-specific. "We need to communicate to the consumers that it is not new that toys are coming over from China," said Carter Keithley, president of the Toy Industry Association, a trade association representing more than 500 U.S. producers and importers of toys.

TIA has been working with Chinese authorities to help establish stronger in-country testing protocols, but Mr. Keithley said it was "premature" to determine if Mattel's recent problems will warrant sweeping changes in industry standards for Chinese-made toys. "We don't know what happened in this situation," he said.

Since the latest recall was announced, Mattel has told consumers its

plans to ramp up safety checks for production of its toys. The toy maker's website describes a new three-point check system requiring testing of every batch of paint, unannounced random inspections and testing of finished toys before they reach the consumer.

China sourcing issues hit pet-food makers particularly hard, and Procter & Gamble Co.'s Iams and Eukanuba brands have yet to fully recover. Market share for Iams' wet-pet-food business -- most directly affected by the massive recall -- has plummeted to 1.1% in the four weeks ended July 14 from 3.9% in the four-week period before the crisis, according to ACNielsen data reported by Sanford C. Bernstein.

### **Pet-food recall**

The pet-food recall in March was among the first major crises linked to tainted Chinese goods.

Melamine, a nitrogen-rich industrial chemical the FDA believes may have been added to boost protein measurements in wheat and other grain gluten from China, found its way into dozens of wet and semi-moist brands and retail private labels, causing kidney failure and death for possibly thousands of cats and dogs.

"Unfortunately, even though those wet and semi-moist products are a small, less than 10% of our product line, we frankly got hit pretty hard," P&G Chairman-CEO A.G. Lafley said on an Aug. 3 conference call. Though P&G's bigger dry-food business was unaffected by the recall, P&G's shares in that segment have also been down since the recall, running one to one and a half share points lower since the four weeks ended Feb. 24, the last period unaffected by the crisis.

Those share losses combined amount to more than \$20 million in sales since the recall and about \$70 million in annual sales if they're sustained. For its part, P&G rival Colgate-Palmolive Co. has downplayed the impact of another China sourcing crisis: the discovery in June of counterfeit Colgate-branded toothpaste made in China and sold in dollar stores. The toothpaste contained diethylene glycol, a poisonous ingredient used in antifreeze.

### **Market share down**

"The impact on the business is vanishingly small," Colgate CEO Ian Cook said on a July 25 conference call. "I think we could trace something like \$100,000 of business loss in the dollar-type stores," which he said was logical given that's where the tainted product was found.

Yet analysts aren't sure the damage was that limited. In an overall strong quarter, Colgate's North American sales growth missed what they were expecting. Its toothpaste market share, as measured by Information Resources Inc. for the four weeks ended July 15, was down five full percentage points from the same period last year, according to Morgan Stanley.

Bernstein analyst Ali Dibadj said he believes Colgate was "slow to react" from a public-relations standpoint.

~ ~ ~

*Contributing: Megan McIlroy, Emily York*