

CRISIS MANAGEMENT, REPUTATION RISK AND SOCIAL MEDIA

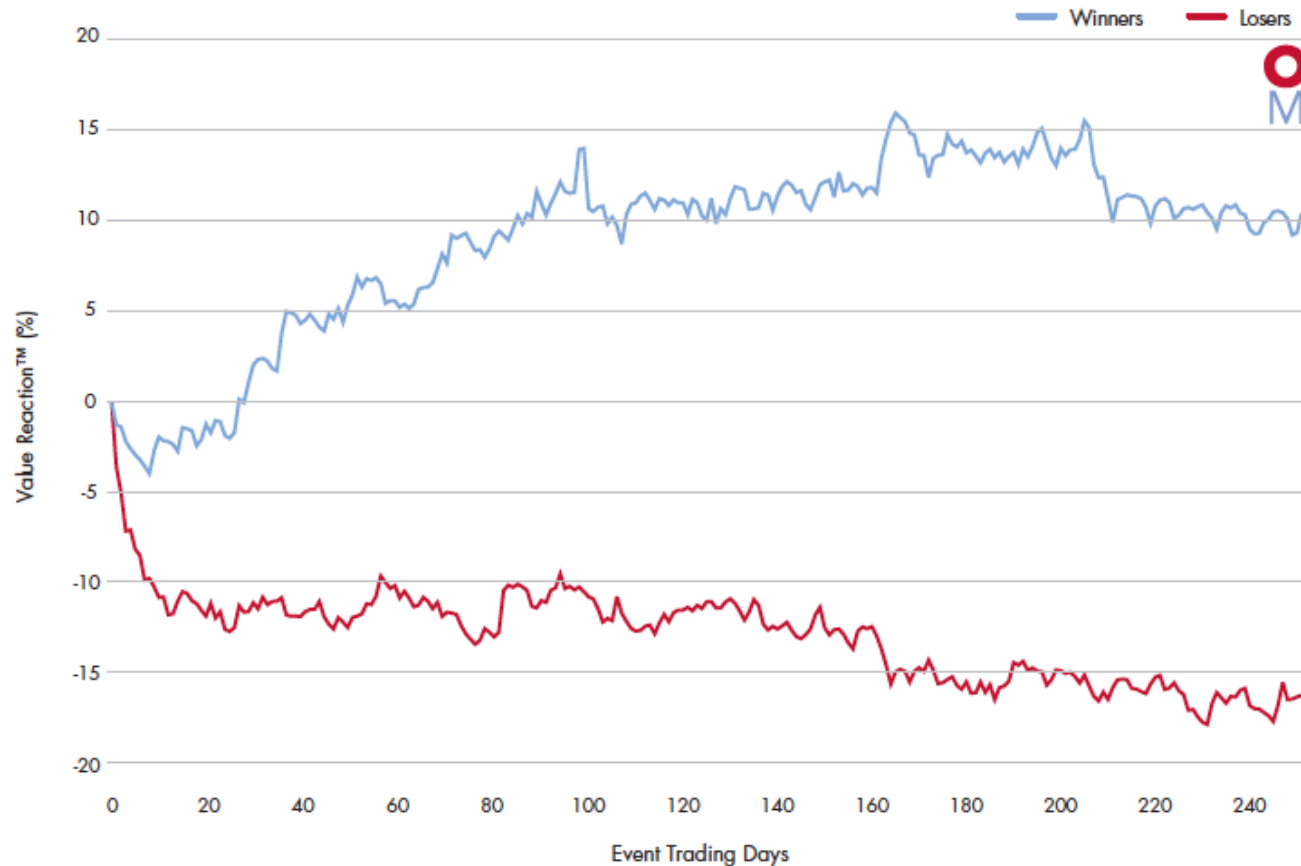
Simon Taylor - The Redcote Consultancy

Reputation – the most precious asset

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently” *Warren Buffet*

- Reputation is an intangible asset that is difficult to measure directly, however:
 - **24%** of a company’s value is in its brand (Brand Finance Global 500 Report), one key element of reputation.
 - Reputational Risk ranked **3rd** in the top business risks according to business leaders (Lloyd’s Risk Index 2011).
 - 1 in 10 Main Board Directors left within six months of a crisis (Freshfields Survey 2013)

The impact of reputation crises on shareholder value



In the first few days of a crisis, the market makes a judgment on whether a company is going to emerge as a “winner” or a “loser”. This is sustained and reinforced over time.

Source: Survey of Global top 1000 companies Oxford Metrica

Some of the crises we had in one year at Cadbury

- Legionella in food factory
- Melamine contamination in milk (China)
- Competition investigations
- Employee fatalities
- Product recalls
- Media links to child slavery
- Kidnapping
- Factory closures/Job losses
- Ingredient scares
- Boycotts
- Civil unrest
- Corruption in Government
- Floods
- Tax investigations (Russia)
- Major fraud (Nigeria)
- Demonstrations
- Fire
- Thefts
- Product infestation
- Bomb Threats
- Legal actions
- Environmental activists
- Hostile social media campaign
- Pandemic flu threat

This is not an exhaustive list, nor untypical for a major global corporation

Reputational crises - some causes and problems

- Cultural 'arrogance' and or complacency
- Inadequate issue monitoring, horizon scanning and proactive management
- Quality, safety and technical team, not keeping up with best in class knowledge or failing to meet GMP/SOP/HACCP
- Poor reporting and escalation culture (frequently due to fear or loss of face)
- Management team not expert on potential legal and reputational impacts of crisis.
- Crisis management resources not available (processes, tools, manuals etc.) and inadequate crisis training. No dedicated resources devoted to developing or updating crisis procedures.
- Challenges of international aspects of global brand
- External stakeholder relationships non-existent or poor

Strategic learnings over recent years

- The world is smaller - a crisis on one country has the potential to become a global crisis:
 - Global Brand = global news story
 - Internet means that stories in one country quickly spread to others; Bad news travels fast... and far and wide
 - Impact of social media
 - Supply chains are global.
- Public and regulatory expectations and requirements have grown.
- Potential specific “acceleration” factors
 - What else has happened recently
 - Perceived trends
 - It affects children etc

Crisis identification and escalation

Frequently these are difficult issues - two main problems

1. Managers underestimate the wider potential impacts of an incident (particularly legal, reputational and global impacts) and fail to take these into account or involve specialist expertise.
2. Cultural issues such as fear or loss of face, mean that management tries to handle incidents without escalation, and then lose control.

The consequences of these approaches are:

- Incidents are not dealt with quickly enough, before they get out of control;
- Senior or specialist help is not made available;
- Wider impacts (legal, reputation, global impact etc.) are not controlled;
- Lessons are not learnt and best practice is not shared within the organisation;
- Trends of incidents, or 'near misses', which may indicate underlying flaws and problems are not identified.

There are a variety of approaches that can be taken to avoid this, however overall, a culture of "if in doubt, consult up the line" is best practice.

Some of the issues need to consider

- Proactive /Reactive?
 - Balance between reassurance and creating a news story where none may otherwise exist
 - Seeking to ensure that the company does not become the icon for the story when we are peripheral
 - Starve stories of oxygen wherever possible
- What do we know Vs what can we say?
 - We know, that we will not know, the facts
 - Legal have to be involved
- Global/Local issues
 - We have to be consistent globally in what we say
 - We can vary how we say things (particularly in unaffected markets)
 - Web has a challenging role as it speaks to whole world - not segments

There are only a few questions...

The story will change direction

- **What** happened?
- **Why** did it happen?
- **Who** is to blame?

Throughout the incident – the media, government, regulators, victims and the public will ask:

- **What** did we know?
- **When** did we know it?
- **What** did we **do** about it?

These questions are a key test to every action during an incident.

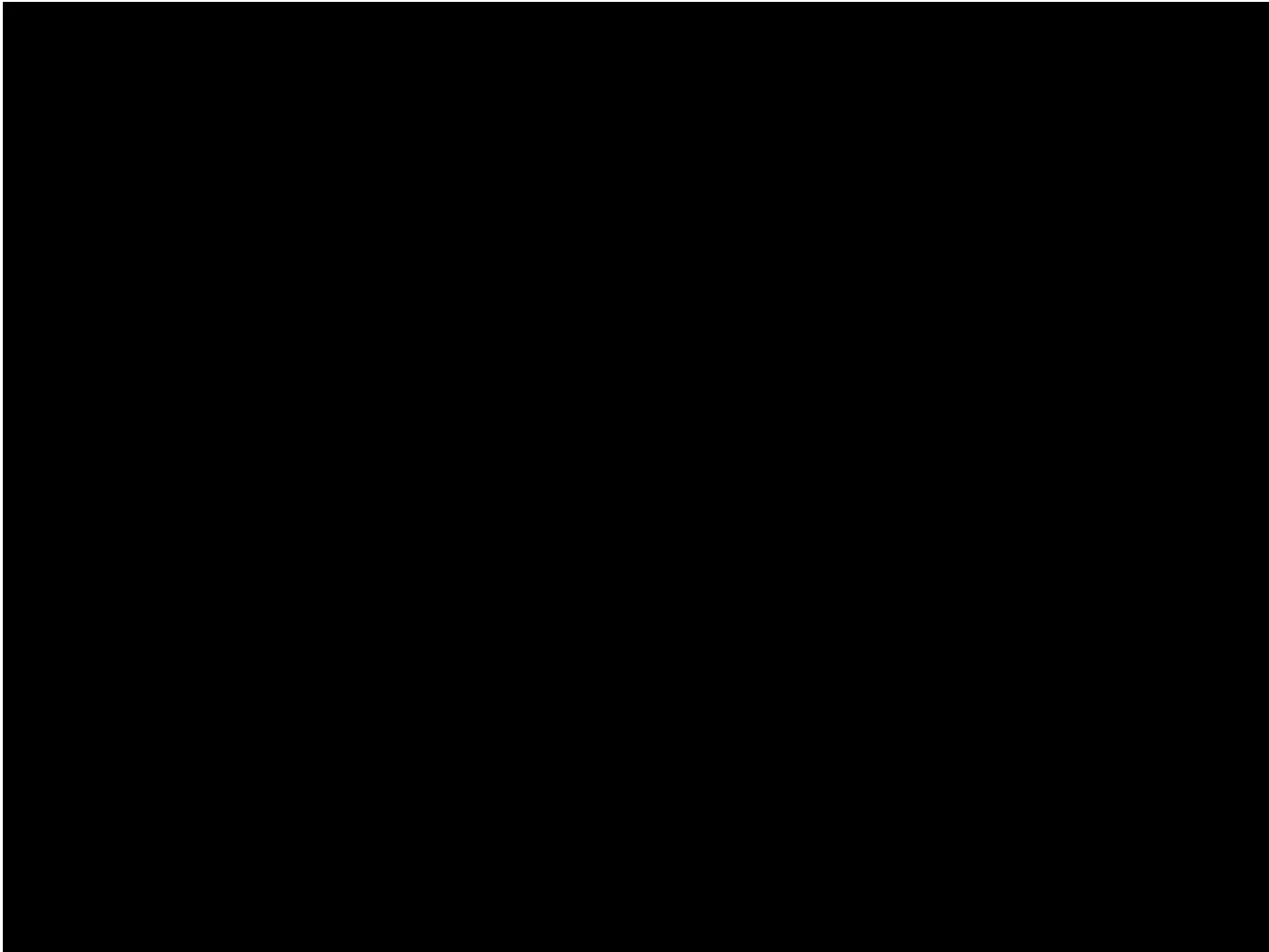
If possible: Tell the truth - tell it all - tell it quickly

- **Concern** - for those affected and their families - say “sorry” if appropriate.
- **Control** - over the situation at the most senior level. Focus on safety as your number one priority
- **Commitment** - to help those affected in what ever way possible; to find out the cause of the accident - investigation

Tragically, life is not always that simple

- The “fog of war”
 - Confusion
 - Lack of information and hard facts
 - Natural human reactions (not wanting to admit mistakes)
 - Culture
 - Lawyers
 - “Rent a quote” experts, politicians and commentators
 - Other factors and stakeholders (financial, other corporate problems)
 - The truth is too horrible to reveal
- ... if you don't have facts, at least show that you have feelings.

The impact of social media



@brucel: Those Aldi horse burgers were nice, but I prefer My Lidl Pony



Does it matter?

- Yes
 - The speed and spread of a story is greatly accelerated - the days of a 12 or 24hr 'News cycle' are over
 - Most journalists get many of their stories from Twitter and social media
 - Key Stakeholders and opinion leaders will learn about your news through this medium
 - It can be helpful in correcting facts and getting out helpful information
- No
 - It is a new and different communications channel, but the basic principles still apply
 - Most of the noise on Twitter and social media is background 'chaff', but watch out for the few important opinion leaders
 - If you manage it well, you have nothing to fear

Managing social media in a crisis

- Take it seriously
- Build into crisis management procedures
- Need to monitor in “real time”
- Include in your crisis message development
 - Try to respond in appropriate tone of voice to match your brand values
- Don't rush, but respond quickly
- Don't always respond - sometime better to let things go
- If individual complaint - try to take off line



We apologise

You have probably read or heard that we have had a serious problem with three frozen beef burger products that we sell in stores in the UK and Ireland.

The Food Safety Authority of Ireland (FSAI) has told us that a number of products they have recently tested from one of our suppliers contained horsemeat.

While the FSAI has said that the products pose no risk to public health, we appreciate that, like us, our customers will find this absolutely unacceptable.

The products in our stores were Tesco Everyday Value 8 x Frozen Beef Burgers (397g), Tesco 4 x Frozen Beef Quarter Pounders (454g) and a branded product, Flamehouse Frozen Chargrilled Quarter Pounders.

We have immediately withdrawn from sale all products from the supplier in question, from all our stores and online.

If you have any of these products at home, you can take them back to any of our stores at any time and get a full refund. You will not need a receipt and you can bring back just the packaging.

We and our supplier have let you down and we apologise.

If you have any concerns, you can find out how to contact us at the bottom of this page, or go to any of our Customer Service Desks in store, or ask to speak to your Store Manager.

So here's our promise. We will find out exactly what happened and, when we do, we'll come back and tell you.

And we will work harder than ever with all our suppliers to make sure this never happens again.



Social media crisis checklist

1. Message tone?

- ☐ Positive
- ☐ Negative
- ☐ Neutral

2. Risk of corporate damage?

- ☐ Serious
- ☐ Moderate
- ☐ Mild

3. Authoritativeness?

- ☐ Yes
- ☐ No

4. Reach?

- ☐ High
- ☐ Medium
- ☐ Low

5. Factually accurate?

- ☐ Yes
- ☐ No

6. Is the community likely to correct it?

- ☐ Yes
- ☐ No

7. Response?

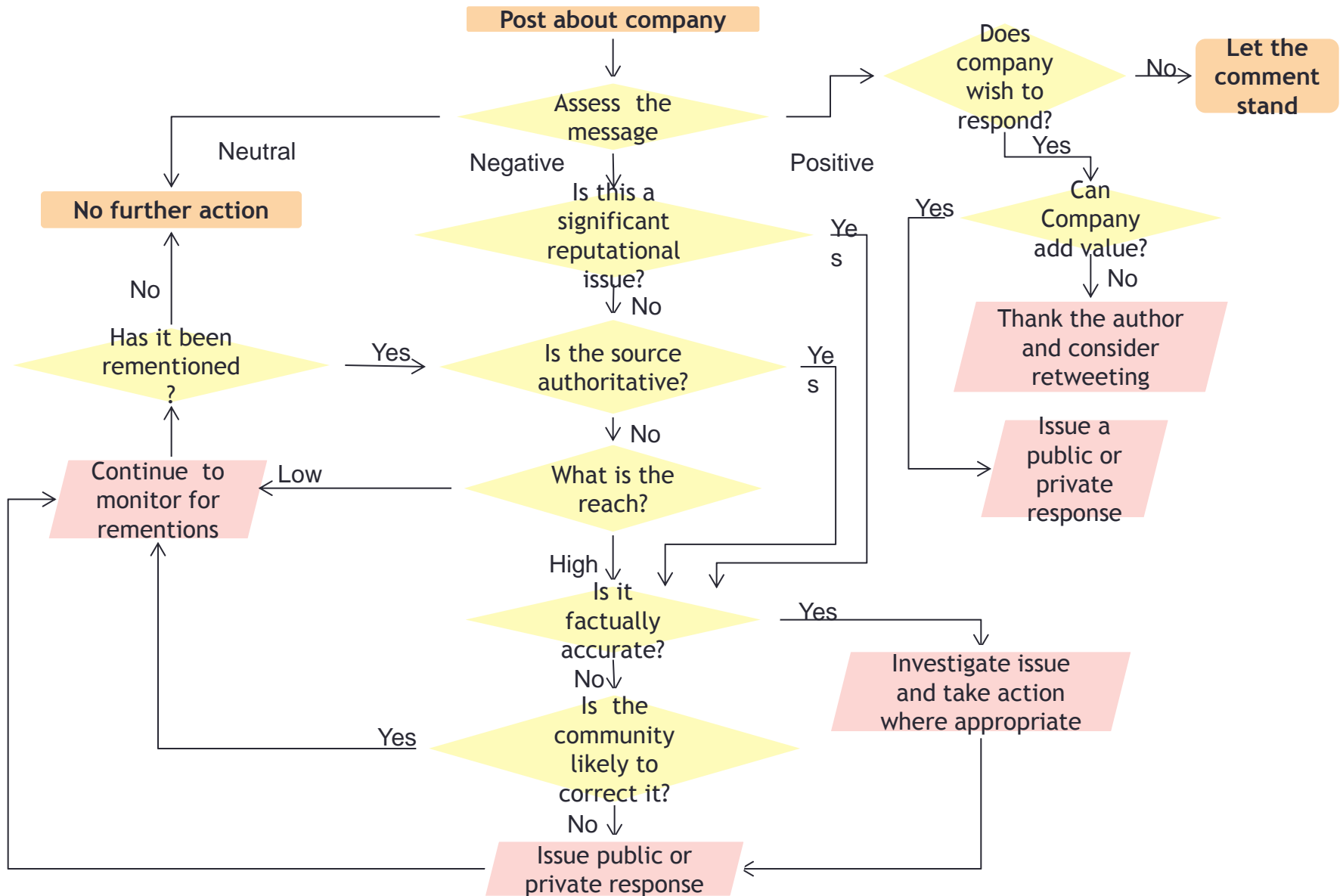
- ☐ Public
- ☐ Private
- ☐ Neither

8. Rementions?

- ☐ Yes
- ☐ No



Social media response process



Conclusion

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