

Crisis Response in the Weibo Age

With the global spread of the Internet and emergence of on-line social media like Weibo, there has been significant debate over how on-line mechanisms can affect corporate reputation. On the one hand, social media allows for dramatically faster transmission of information and potentially eases coordination costs when organizing collective activity, but on the other hand, because such a tremendous volume of content is generated on any given day, it is not clear the extent to which any one piece of information can stick with netizens and cause behavioral change.

Last month, our investigation of soft protectionism, in particular of how governments try to shape citizens' perception of companies, mentioned an interesting finding. In many of our analyses of company reputations, we have observed a general pattern whereby before a negative event, netizen sentiment about a company is relatively neutral, but after the event, opinion becomes sharply split: not only do people become more negative, they also become more positive. Thus, it appears that negative events are actually ambiguous; in some cases, they may even be opportunities for companies to improve their reputation.

To better understand how companies can manage online reputation during scandals, we delved deeper into one recent case: Nongfu Springs' allegations of poor quality in the spring and summer of 2013. Nongfu's actions provide a number of significant lessons for firms grappling with on-line reputation management in the age of social media.

Companies need to act quickly in order to turn negatives into positives

In the spring of 2013, Nongfu weathered a scandal regarding the quality of its bottled water. The Beijing Times newspaper, operating under People's Daily, released a series of reports from April 10th to May 2nd questioning Nongfu's quality standards, alleging they fell below national standards.¹ The campaign generated significant public scrutiny on Nongfu. One frequently reposted Weibo, below, describes the situation:

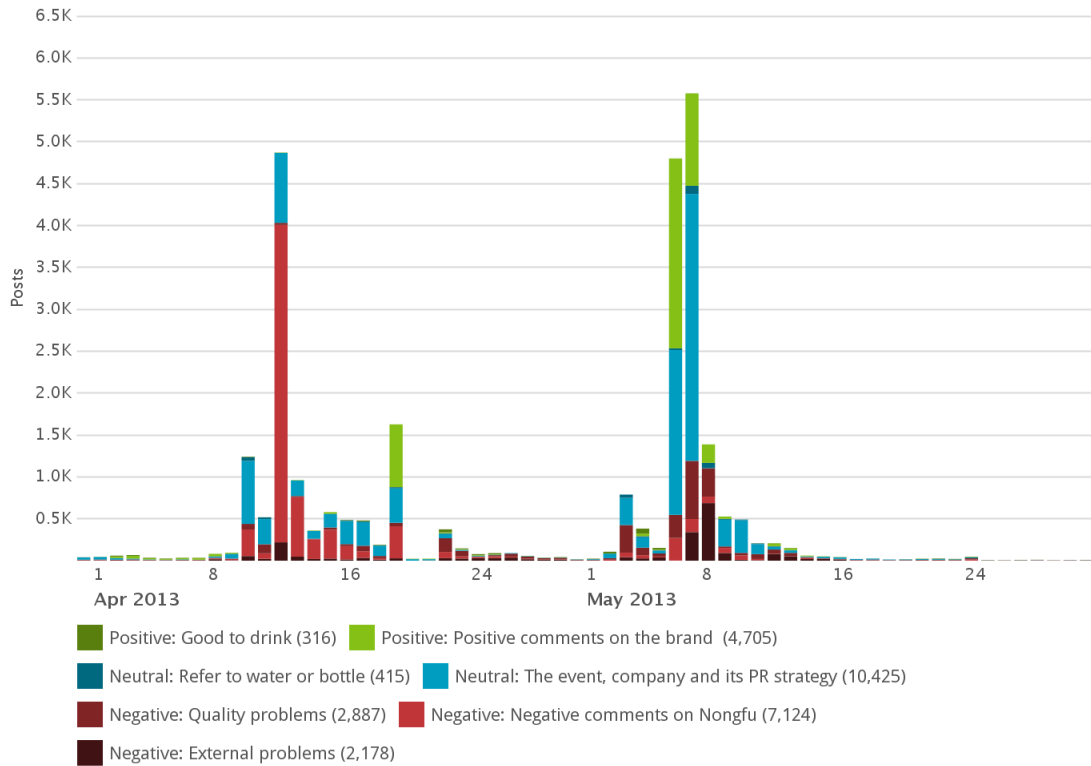
@新浪财经: 【农夫山泉被指标准不如自来水 曾参与新标制定】农夫山泉最近有点烦，今年3月其被曝喝出黑色不明物、棕色漂浮物以及“水源地垃圾围城”等消息，近日，又有消息称农夫山泉生产产品标准倒退。昨天，有业内人士接受记者采访时表示，农夫山泉瓶装水的生产标准还不如自来水。

[@Sina Business: The standard for Nongfu Spring is lower than tap water. The company once engaged in drafting new standards, but Nongfu Spring has been in a little bit of trouble recently. In March it was revealed that black unknown substances were found in bottles and brown floating things and garbage around its water sources etc. These days it's said

¹ http://www.chinadaily.com.cn/china/2013-05/07/content_16480678.htm

the standard for Nongfu Spring has regressed. Yesterday, a company insider told journalists that the production standard for Nongfu bottled water is lower than tap water.]

Unsurprisingly, as the graph below shows, there was significant negative sentiment around the event. These news posts and their reposts comprise the “negative comments on Nongfu”, which rose to 80% on Apr. 12th. So far, this is a standard story of how the public responds to a food safety expose.



Nongfu Sentiments Drivers — Volume of Posts (Opinion Analysis) from 3/31/13 to 5/31/13 🌸

As the spikiness of conversational volume shows, coverage on Weibo is highly event driven, and topics and opinions shift remarkably fast. Conventional public relations strategy frequently states that by acknowledging a negative story, the company will only increase attention to the matter. Yet the never-ending close gaze of social media renders such attention impossible to avoid, and companies that stay mum risk losing the chance to steer the conversation.

The graph’s second spike suggests that another event was crucial in reversing the tone of conversation. At that time, Nongfu issued a powerful response to the allegations. Responding to allegations is critical and as we discuss below, the content and extensiveness of the response is also critical if reputational damages are to be ameliorated.

Respond honestly

Nongfu took an unusual course of action in response to the accusations. Unlike many other companies, which immediately admit wrongdoing and exhibit public repentance, hoping to just make the crisis go away, Nongfu called a defiant press conference and sued the Beijing Times for defamation.² The counterpunch put the Beijing Times on the defensive. Many netizens came to believe Nongfu was a victim scandal of “black PR:” after the press conference, it was revealed that Beijing Times actually owns a mineral water company.³

Nongfu’s confrontational tactics worked because they capitalized on the public’s general mistrust of traditional media, which is perceived to be manipulated by government interests. During the raucous press conference on May 6th,⁴ Zhong Shanshan, chairman of Nongfu, debated several journalists from the Beijing Times. The journalists came across poorly: one journalist interrupted Zhong’s speech several times and was eventually kicked out of the conference by security guards. In contrast, Zhong’s performance was confident, patient, and even generous at times, such as when he made a point of granting two questions to Beijing Times while other outlets were limited to one. In short, he behaved like the leader of a company with nothing to hide.

Zhong led off the conference by pointing out the Times had devoted over 70 pages of newspaper space in 28 days to attacking his company. By claiming the coverage was excessive, he was strongly hinting that the expose was really a vendetta. On that day, 47% of posts about Nongfu on Weibo were positive and only 12% were negative. During the conference, Zhong announced Nongfu would be leaving the Beijing market and apologized to Nongfu’s Beijing customers. Even though the company had actually been ordered to suspend Beijing production pending investigations, Zhong portrayed Nongfu as victim to a hostile climate. The controversial decision received sympathy as well as contempt.

If not a decisive win for Nongfu, the conference, and Zhong’s shrewd positioning of his company as a victim, clearly managed to raise netizens’ doubts. The following day, May 7th, news broke on Weibo that the Beijing Times was a “water-selling newspaper,” linking a 2005 article in People’s Daily about De Yi Yuan brand mineral water, owned by Beijing Times, being the sole water supplier for the Beijing International Marathon.⁵ Following this news, many people turned strongly in favor of Nongfu, believing that Beijing Times had corrupt motives behind the original report.

²http://shanghaiist.com/2013/05/07/nongfu_spring_to_sue_beijing_times_over_water_quality_expose.php

³ <http://bbs.hupu.com/5559834.html>

⁴http://video.sina.com.cn/p/finance/20130506/230662392145.html?opsubject_id=top1

⁵ <http://www.people.com.cn/GB/paper1787/14405/1281140.html>

The accusations against Beijing Times are at best speculative, but they nonetheless had a powerful influence on the course of the quality scandal. That Beijing Times' reports backfired so quickly shows that netizens are primed to believe the worst when there is even a whiff of corruption. With this revelation, Nongfu-related posts peaked, and buzz died down shortly thereafter. In China, it seems, it takes a corruption scandal to trump a food scandal.

In the aftermath, neither party is backing down: Beijing Times has continued to attack Nongfu, and Nongfu is pursuing a 60 million RMB defamation suit, claiming the paper's allegations caused serious reputational damage.

Follow up scandals with intensive image rehabilitation

Nongfu isn't counting on courtroom money to make up for its tarnished reputation. The company continues to be aggressively proactive in rebuilding its public image after the fallout. The company recently launched a PR campaign on Weibo called "seek and witness the origin waters of Nongfu," in which more than a hundred media outlets and their readers were invited to visit Thousand-Island Lake in Zhejiang Province. The lake is one of Nongfu's springs, but also a famous scenic destination. Attendees were selected from a Weibo lottery and treated to an all-expenses-paid trip featuring luxury hotels and lavish meals. As a result of this campaign, positive Weibo posts spiked in June. Even though these posts may not be completely "real," the campaign unquestionably succeeded in changing the tone and course of discussion.

In the period following the press conference, public sentiments about the company have been mainly positive. Nongfu's decisive actions following the scandal, from Chairman Zhong's confident showing at the press conference to the Weibo image rehabilitation campaign, show that the company knows how to wage a media war.

Conclusion

Again and again, from Apple's recent warranty issues, to Fonterra's problems with ingredients, we have seen that on-line crises are opportunities for companies to learn from, and possibly capitalize on, negative attention. Our analyses suggest that perception does change quickly, but not always in the expected direction. Negative events don't have to be all negative, but it is important to react quickly and effectively.

The case of Nongfu provides a good example of how to navigate a PR crisis: companies must face scandals head on, and quickly, providing forthright responses to accusations, make conciliatory actions, but also defend itself when appropriate. Furthermore, they must follow up negative event spikes with dedicated campaigns to rehabilitate public image. Viral scandals can cause enormous damage in just one day, but it can take weeks, months, or even years to rebuild goodwill.

Government, corporations, and powerful individuals are all perpetually fighting to lead public opinion on the raucous and paranoid Chinese internet. If Chinese society moves toward greater transparency in the coming years, perhaps online reputations will become more stable, as both negative and positive events should be harder to manufacture. In the future, it may become more difficult to sway netizens, and so companies would be wise to manage their online reputations carefully over the next few years.