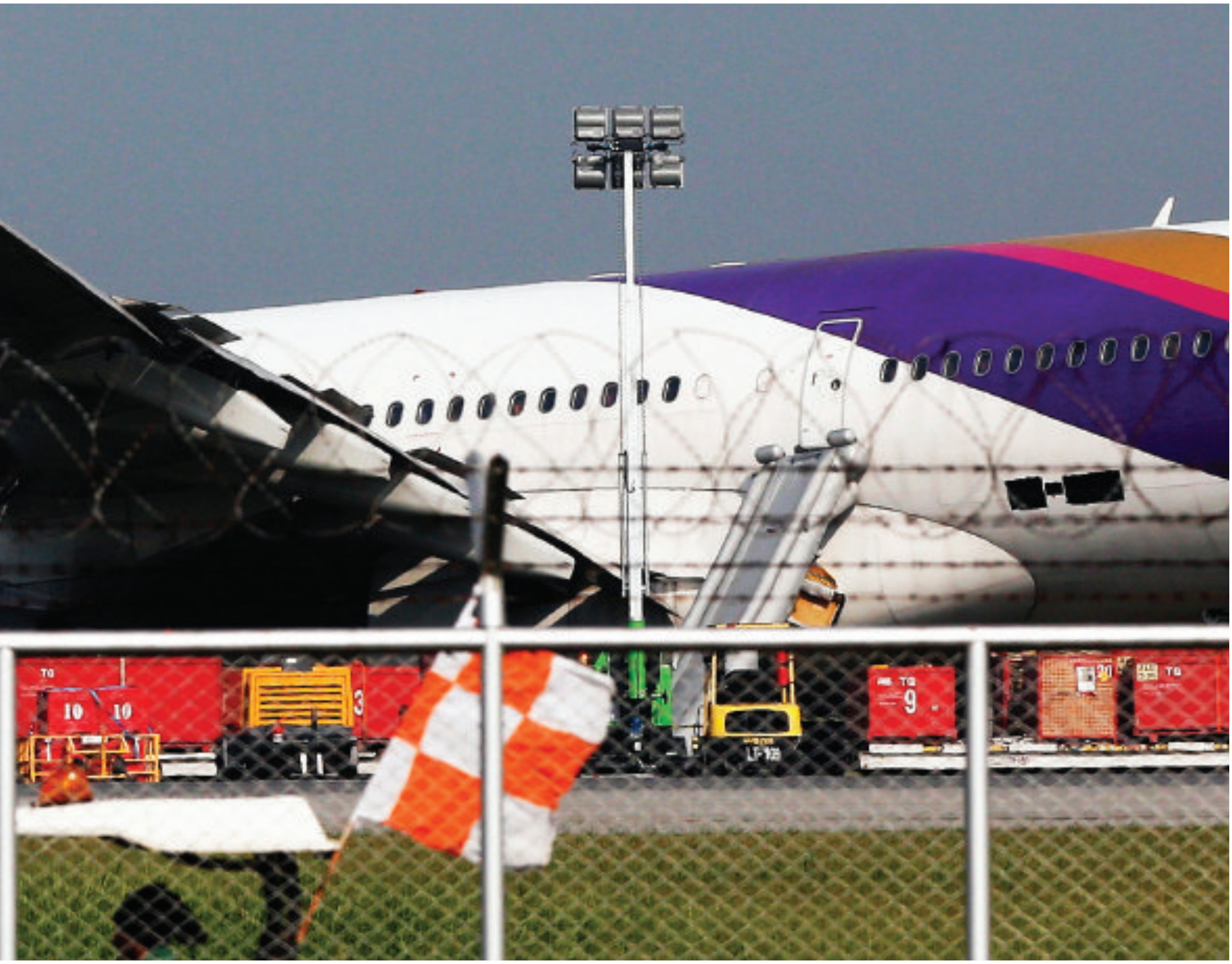
Reuters

PUTTING OUT THE FIRE

What companies should and should not be doing to safeguard their brand

EVERY GLOBAL CORPORATION knows the drill: if it is good news, it stays local. But if it is bad news, it will go international faster than lightning with the potential to flummox even the sturdiest of brands. In the age of instantaneous, uneditable social media, this emerging risk has never been more pronounced, meaning risk managers are now facing a threat that has the potential to ruin an entire brand with a single image or word.

On 8 September a Thai Airways flight suffered a relatively minor incident when it skidded off a Bangkok runway. While there were no injuries, the company's officials, on the apparent advice of German Star Alliance partner Lufthansa, rushed to paint over the logo on the damaged plane in a move they called a "crisis communication rule". But rather than shelter the brand from damage, the cover-up move was ridiculed across mainstream and social media, causing greater damage to the Thai Airways brand.



But it is not just 'as-they-happen' incidents that can mar a brand's reputation if not handled properly. An American-owned Dunkin Donuts franchise in Thailand was recently forced to pull planned advertising depicting a woman in 'blackface' makeup. While Dunkin Donuts Thai bosses defended the ad, critics deemed it racially offensive and its US parent company said it would pull the franchise into line with the brand's key advertising strategies.

Experts say these incidents are neither new nor isolated, however the damage that is now done via instant media is exponential without proper management. Reputational risk and crisis management firm Chiron founder Garry Honey says the reason for incidents such as the Dunkin Donuts blackface crisis is a lack of co-ordination in small-to mid-sized brands, rather than the major brands. "There's a level of co-ordination that's been missing there. It's often the non-major, fast moving consumer goods people who are caught out by this. I think the big brands are generally quite good at co-ordinating their advertising across the board. The smaller brands have possibly never needed that level of control or co-ordination so they're a lot more at risk."

Red Sea Housing chief risk officer and former advertising executive Domenic Antonucci says rogue advertising incidents remain relatively minor issues, as long as the issue is local rather than emanating from the centre of the brand. "There are generally three root causes: feral creative agencies, naïve local culture and lack of marketing control from the centre. One reason why [an incident like Dunkin Donuts] is fairly limited is that the threat is going in the wrong direction. By that I mean if it was the global brand doing something wrong with the negative consequences then spreading outwards, that's a bigger problem."

Resolving a reputational crisis is best tackled head on, according to Honey. "Once damage has been done, the first thing businesses should say is: 'We got it wrong'. One of the best things in any reputation repair job is admission of guilt and contrition. If you go into denial, you make it worse."

Damage limitation

But Antonucci suggests businesses adopt a tougher and vastly different approach to quell the damage. "Even if you did authorise the ad, you tell the world that you didn't. It was their fault. You fire them. Those agencies will cop it because they're not going to challenge anyone with big pockets or a big brand. You can put those sorts of fires out pretty quickly." »

» For major global brands operating in a variety of markets, maintaining a degree of cultural sensitivity is vital to ensuring the success of the brand. Using advertising that is both appealing and sensitive to a local market can backfire on companies when seen in a global context. Likewise, global advertising that is used in local markets without culturally sensitive alterations can have dire consequences.

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Garry Honey, Chiron

Know your market

JLT Asia regional director Craig Patterson, who is based in Singapore, says he has seen many examples of big brands "getting it wrong" in the local Asian market but says where the fault lies is difficult to pinpoint. "When businesses try to use local companies, the clash between the two is obvious. [The local advertising firms] understand the local market, but don't understand your business culture. You as a company understand your business culture, but you don't understand how to speak to the market and that is where challenges can occur. Mistakes can be made because there's certain things you can see in Asia that you certainly can't see if you're standing in London."

Honey agrees: "Companies have got to understand the culture they are advertising to. Using local agencies can be good because in theory they understand their local audience better and can help an international brand to be more relevant to a local market. The big problem is where a local agency does something it thinks is funny, but with global consumers it doesn't always translate and it doesn't work."

Antonucci says for any brand, the safest place to operate when it comes to advertising is in the middle. "Stick to the centre even if the centre stays pretty generic. You'd rather be generic and safe to the brand and maybe lose a little bit of return on the campaign, than take the risk of putting your strategic brand medium and long-term at threat by doing something short-term that is going to win a creative award."

Spending money and time researching advertising is the key to successful global campaigns. "It is usually best managed by extra effort, extra communication and extra research and testing with focus groups. You might have to spend more money and bit more time to feel advertising is appropriate for regional distribution," says Antonucci.

A speedy and global reach

While advertising not hitting the mark is not a new issue, it is the speed at which bad advertising can spread via social media that has made the risk more pronounced. Once rogue advertising has hit the internet, it is almost impossible to eradicate all traces of it, therefore leaving brands open to repeated reputation hits.

"We're now in a period that's very different from what it was 20 years ago, but the frequency of these events hasn't changed much," says Willis Global Solutions chief executive officer Phil Ellis. "There is certainly closer scrutiny globally around companies and a heightened sensitivity to all the stakeholders to events that could shake the foundations of the company, but we haven't seen that increased awareness lead to an increased incidence or frequency of these events."

Ensuring global brand interconnectedness means ensuring all stakeholders understand how reputations are made and damaged via social media. Honey says: "I've worked with major clients who still think reputation management is by country. But nowadays anything that gets published is global straight away, even if it's in a print ad in a local paper. If it is silly, it will be seen, somebody will pick it up and broadcast it on Facebook or Twitter and then it is global."

Be prepared for the risks

Preparing for an unquantifiable risk is difficult but not impossible for risk managers. Ellis says one way to prepare is to understand that these sorts of reputational crises can happen to anyone, at any time. "There are ways to prepare to cushion the impact of these events. The thing is to be aware that these events happen to the best companies. All the big companies go through them so we shouldn't treat them as 'black swans'. The fact is that they're going to happen, so be prepared."

Ellis also says that having appropriate cushioning built into balance sheets through insurance or other financial offerings means companies won't suffer as much as a result of a reputational crisis. "In general, it takes more than two years for the share price of listed companies to recover from these events, so be aware that the risk is real."

Ellis adds that small-to-medium-sized companies are at a greater risk than larger companies owing to a potential lack of financial cushioning.

Reputational risk is seen by some risk managers as a 'soft risk' or one that is not as high a priority as other brand risks, such as supply chain issues or product recalls. Antonucci says the issue of rogue advertising simply doesn't rate for many. "Strategically, there are other more important risks to brands like obsolescence, compliance breaches where you get in trouble with regulators, and also the prime rate crisis with product recalls, massive withdrawals and safety alerts. Those are the things that keep risk managers awake at night, not an agency in Singapore or Brazil going feral. Yes, it might happen, but you just sack them and move on. You put the fire out."

Patterson concurs with Antonucci but says looking at reputational risk as a soft risk and one to be put to the bottom of the list is short-sighted, leaving risk managers and businesses vulnerable. "Yes, damage to reputation is an impact rather than an outcome. But it is damage to the brand that is the outcome and this is something measurable in financial terms. If you outsource to a sub-party [for advertising] it is the unknown damage to your brand that is the issue. Ultimately, anything that has impact on your reputation is a risk to your sales and your business." **SR**