Research in brief

SK-II China and its skin cream scandal: An extended analysis of the image restoration strategies in a non-Western setting

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Abstract

SK-II, a global luxury cosmetic and skincare brand of Proctor & Gamble (P&G), was sued by a Chinese consumer in 2005, which raised serious questions about SK-II’s product safety and the credibility of its advertisements. This public relations debacle resulted in a dip in SK-II’s performance in the China skincare market. The theory of image restoration discourse was applied in this case to analyze SK-II’s public relations efforts to rebuild its prestigious brand image in China and to regain Chinese consumers’ trust. More rigorous image restoration strategies for multinational corporations (MNCs) in the Asian market were also discussed.

1. Introduction

Image, or reputation, is an important concept to assess organization’s performance in the marketplace. At an organizational level, companies may take various preventive and restorative strategies to fix any image related problems. As a viable approach to understanding corporate crisis situations, the theory of image restoration discourse has been well developed and applied to different cases (e.g., Benoit, 1995; Brinson & Benoit, 1999; Coombs, 1995; Coombs & Schmidt, 2000; Hearit, 1999). More importantly, a broad set of strategies has been identified and evaluated in image restoration analyses. Suggestions have been made to organizations facing the challenge of image restoration. Clearly, previous research has established the importance of selecting effective image restoration strategies for an organization to rebuild its image during a crisis and to regain the public’s trust.

Despite rapidly growing international investment by multinational corporations (MNCs) in China over the past two decades, little research has been reported on the examination of the performance of MNCs and the interactions they had with the public in the host country, especially when crisis happened (e.g., Hung, 2004; Wu, 2002). As MNCs continue expanding into the Asian market, their success is in part determined by the ability to transfer global competitive strategies to local subsidiaries when coping with any challenging situations (Chen, 1996). The ineffective way taken by MNCs in handling any crisis will dampen their fidelity to the brands and to the companies. In a sense there must be an appropriate alignment between strategy-making behavior and the nature of an environment to ensure the effective selection of communication strategies (Miller & Friesen, 1983).

Although positioned as a high-end skincare brand of Proctor & Gamble (P&G) and enjoyed high revenue in China skincare market, SK-II was accused of false advertising and of not fully disclosing the product’s ingredients to its consumers (consumer fraud) and experienced a series of credibility crises in China in 2005–2006. This study adds to the image restoration and
crisis communication literature by analyzing the strategies SK-II employed during this skin cream scandal. By testing the
typology of crisis–response strategies in a non-Western environment, the study focuses on evaluating MNCs’ selection of
appropriate communication strategies to repair a tarnished image.

2. Research method

A case study approach articulated by Yin (1989) was adopted as the research method. Thus, news coverage regarding
SK-II’s false advertising crisis published between March 7, 2005, and June 25, 2005, when the post-crisis stage had been
reached, were collected and analyzed. In addition, specific statements, open letters and other public documents released by
SK-II and P&G China were also collected, compared and analyzed.

As one of the most popular Internet portals in China, Sina.com was a major database used in this study. A special section
named “the Scandal of P&G’s SK-II” was located on the Sina Web page, within which was a collection of major Chinese
newspapers’ coverage on the safety and efficacy of SK-II. Other than numerous discussion blogs and comments, 89 articles
and statements from diverse sources were selected as the analysis pool. The source of these articles varied, including P&G
China, China Daily, the Xinhua News Agency, the Asian Wall Street Journal, the South China Morning Post, and the Straits Times.

3. Results

The analysis of relevant articles and statements has indicated that a variety of image restoration strategies have emerged
at different stages of the crisis.

3.1. Denial

To eliminate the crisis, P&G China adopted a defensive attitude by denying the existence of the crisis and extending the
denial with attempts to explain why there was no crisis at the very beginning. Strong denials were issued by the company
in response to the accusations of product safety and false advertising by claiming “SK-II products have gotten the approval
from the Ministry of Health in China before being imported to China” and “the product’s ingredients were safe according
to the regulations of 2002 International Cosmetic Ingredient Directory and Handbook.” Moreover, P&G Greater China PR
manager denied receiving any customer complaints about SK-II.

3.2. Evasion of responsibility: accident

Two weeks after the consumer fraud lawsuit was filed, P&G China issued a brief statement on Sina.com addressing the
safety of SK-II products. The statement itself continued denying the company’s responsibility and insisted that it was only
an accident and the first complaint received about the anti-wrinkle cream since its debut. By reiterating the crisis itself as
an accident, P&G China did not issue any additional public statements regarding the safety of its SK-II products and did not
contact the unsatisfied consumer.

3.3. Bolstering

The analysis of relevant news coverage and statements revealed that P&G China tried to bolster its image by emphasizing
the prestigious heritage, quality and safety certification of its products. The company repeatedly confirmed SK-II’s historically
good reputation and credibility in various Asian markets since the 1980s, noting that customers have kept a high level of
loyalty to this brand and its products, and that it has made great efforts to build a good relationship with its customers in
the loyalty program. P&G China even claimed that they conducted a confidential survey in Greater China market after the
accident, and the results of the survey showed the accident itself did not affect old customers’ loyalty to SK-II.

3.4. Minimization

Because there was no third party responsible for the crisis, P&G made efforts to minimize the damage associated with
the crisis by reiterating the safety of its products and P&G’s tradition of conducting scientific research. They attempted to
convince the public that the situation itself was not that bad although numerous discussion boards and blogs around the
country speculated the quality of SK-II. Vice-president of P&G Greater China, Ke Ruisi, also told the media that SK-II had
smoothly handled the accident and were now focusing on launching a new advertising campaign nationwide. The company
was trying to minimize the negative outcomes by shifting the public’s focus on its new promotion strategies.

3.5. Providing alternative choices to potential consumers

To lessen the pressure and criticism from the consumers and the mass media, P&G China provided a variety of alternative
choices to potential consumers. For instance, they suggested consumers visit SK-II counters in department stores and consult
SK-II beauty consultants before they actually purchase any product. They also suggested consumers dial a toll free number if they want to know more product information and the ingredients.

3.6. Corrective action

Finally, as the official investigation and public discussion went on, P&G gradually changed its strategy by taking corrective action. SK-II softened its tone and shifted the public’s focus from product safety to inaccurate information in product advertising by admitting “the only problem lay in its advertising.” Consequently, P&G China was required to withdraw its advertising brochures from all media outlets and to recall all product brochures that made the same advertising claims.

Representatives from P&G China also negotiated the issue with local authorities and publicized the certification about the products. When authorities were examining whether SK-II’s products lived up to the claims made in advertisements and whether the chemical ingredients were safe for consumers, P&G China adopted a cooperative strategy by saying: “if it turned out to be our problem, we will correct it.” The company further released an open letter on Sina.com to confirm their cooperative attitude, and they also answered questions from consumers and activists in an online chat room. After a 20-day investigation, P&G was fined RMB 200,000 (US$24,000) for using the inaccurate and misleading information in advertisement. However, no additional remediation strategy or any form of compensation to consumers who purchased the anti-wrinkle cream was offered by the company.

4. Discussion

One may argue that on the surface, SK-II restored its reputation in China despite a small penalty on its advertising claim. However, the large amount of public discussion and scrutiny on the brand through the Internet generated undesirable publicity, which led the researcher to get the conclusion that the image restoration efforts of SK-II were incomplete. Although SK-II finally accepted the fine, it never made an apology or other form of compensation to the victim and other consumers. If SK-II could pay more attention to the victim-oriented strategies, the initial handling of the crisis could have been better. As Coombs (1995) suggested, victim-oriented strategies appear to demonstrate that the organization has learned its lesson and will work to prevent a repeat of the crisis. Recent research also indicated that the popularity index of MNCs among Chinese consumers was declining if compared to domestic brands; and the major reason is the discriminative attitudes foreign brands exhibited when dealing with crises (Lan, 2005). Therefore, improving post-crisis services and taking an active and supportive attitude toward activist publics will be a more effective way to solve the crisis.

In this case, P&G China finally took a cooperative attitude and socialized with local government agencies and authorities in cultivating relationships. In the face of a crisis in a non-Western cultural society, it is quite essential for public relations managers to build external relationships and networking. This kind of relationship pattern is so vital that it can maximize the organization’s profit while minimizing the organization’s risk at the same time (Wu, 2002).

For many years, MNCs have had a fairly free hand in China. One possible reason is that China is weak in advertising regulations, especially for those multinational advertisers and corporations. The Chinese government has focused on economic development since the 1980s and paid much attention to the political favorable treatment of MNCs. The relatively loose regulatory oversight can be seen as an incentive for MNCs’ investment in China. However, as the market grows mature, regulation and administration will become necessary and important.

5. Conclusion

Different from designating a human resources team in a manufacturing subsidiary, setting up a crisis-and-response center involves great resource commitment and the sustainability of PR in the host country, thus representing a critical initiative for global competition. MNCs must evaluate their capabilities and the necessity to perform such intensive cultural adaption and crisis preparation, especially in the context of emerging markets. The analysis in this case study showed that the attitude and corrective action together have the most significant impact on the likelihood for the MNCs to restore or rebuild its image and reputation among local consumers. Quick responses and cooperative actions occurring in the crisis solving process exert great influence on publics’ perception of MNCs’ commitment in the host country.

References