

HOW TO PREVENT AND DEAL WITH PR CRISES IN CHINA

**GUIDELINES AND CASE STUDIES
FOR MARKETERS IN 2021**



ASHLEY GALINA DUDARENOK

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by Ashley Galina Dudarenok

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Ashley Galina Dudarenok is the founder of Alarice and ChoZan.

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Introduction

This mini book was written to help companies avoid common public relations pitfalls when dealing with China. We'll show concrete examples of mistakes and PR crises and give advice on how to pick up the pieces if you find yourself in a tight spot.

Every country, culture and region has issues, topics, images or ideas that divide people strongly, evoke strong opinions or touch nerves that can cause widespread anger or frustration.

For example, in the United States, issues like gun control, policing, racism, politics, animal rights, and many others, are very sensitive and can cause anger, protests, vocal debates or boycotts. In Spain, topics concerning language and governance in some regions of the country are touchy. In the Middle East, images or mentions of pigs or certain religious figures can cause great offense and in Thailand, any discussion or depictions of the king must be very

carefully considered.

China is no different. It also has political, social, cultural, taste and preference issues that, when handled poorly, can cause authorities, certain groups of people or the average person in the street to react badly.

Brands can also fall victim to less serious blunders. There are simple mistakes that aren't caught soon enough, bold attempts that flop and plenty of things that can get lost in translation.

This book is meant to help brands avoid some common mistakes. It's not an exhaustive list or the final word. Things in China change quickly, especially with a range of critical events overlapping in 2020 and 2021.

In addition, this book is not a call to be shy about what your brand stands for or to engage in behaviour that runs counter to your moral beliefs. It's merely to inform you about the likely response to certain topics or approaches. If your company or brand has a key mission or position that conflicts with some of China's most important stances, it's safe to say that China will never be one of your key markets.

Despite your best efforts, you'll fall on your face

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from time to time because nobody's perfect and no one is immune. Chinese brands also experience PR issues in their home market. But if you're informed, flexible and know how to leave your ego at the door, your chances of success soar.

In the past 12 years, I've worked with over 300 brands helping them tap into China. Since 2016, I've been a speaker at over 150 live events and run my signature Chinese social media masterclasses online for global audiences across Asia, Europe, North America and the Middle East. You're in safe hands.

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crisis, ChoZan offers expert calls and consultations so you can get helpful advice and the answers you need quickly. We also offer in depth training and curated insight newsletters. Find out more about these services and others at www.chozan.co.

CHAPTER 1

The Most Crucial Issues to Pay Attention To

The issues in this chapter are the top level, most serious ones to be aware of. They fall into a category that Chinese authorities see as national sovereignty or national security. As such, the reactions to them are the strongest, come from all levels of society and can be very immediate. The issues in this group are also relatively stable and are unlikely to change much in the future. Understanding them and the potential consequences when errors occur is a requirement for anyone who wants to do any kind of marketing in China.

Maps

You might be wondering, “What do maps of China have to do with my company? We’re not mapmakers. This doesn’t affect us.” Well, maybe that’s also what Dior, Dreamworks and Muji thought but this issue ended up affecting each of those brands in major ways. These can be maps used on your corporate website, in training materials, in catalogues for your customers or featured in the background of a video made by a video influencer that you work with. It can come in unexpected shapes and forms and cause huge problems so it’s best to know what it’s all about.

There are a few big issues that can come up when dealing with maps of China and the stakes and scrutiny increased in 2018.

August 29th is national surveying and mapping day in China. In 2018, a nationwide campaign was launched on that day to deal with inaccurate and problematic maps. Throughout the country, thousands of physical maps and hundreds of thousands of map images were examined in publications, movies and TV shows. More than 290,000 inaccurate domestically produced maps were destroyed or deleted over the next 12 months.

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This campaign also raised awareness about map accuracy so it was an issue that was on the radar of Chinese citizens as never before.

The biggest issues generally fall under the category of national sovereignty and territorial borders. They are:

- 1 Taiwan
- 2 The South China Sea islands and the
Nine/Ten/Eleven-Dash Line
- 3 The East China Sea islands

1 Taiwan

Authorities in Mainland China and Taiwan see the world differently. On top of that, different political groups within Taiwan have very different interpretations of the relationship with Mainland China. There's a lot of history and a lot of vaguely worded treaties, but it can be summed up easily with the words, "It's complicated".

Please read about the topic if you want to gain more clarity and insight. We're not going to go into detail here as the history and issues are complex and could fill an entire book of their own.

In this book, we'll explain map issues according to how they would likely be seen by authorities in the People's Republic of China.

Generally speaking, authorities in the People's Republic of China see Taiwan as a province of their country and it should be included in any map of the country. If there's colour coding for countries, the island should be the same colour as Mainland China.

There are two common problems that crop up here:

- 1 - Excluding Taiwan from maps of China
- 2 - Making Taiwan a different colour from the rest of China

Both will cause problems in Mainland China.

Map mistakes are bad in every country. Italians don't want to see a map of their country without Sicily, for example, but this kind of mistake would just indicate sloppiness or a lack of oversight.

In the People's Republic of China, because of the complicated history and political issues involved, a map without the island of Taiwan in marketing materials can be seen as a political statement by the brand that goes against government policies and the idea of one, undivided China. It can become a very serious issue if dealt with incorrectly. A French luxury brand got into a PR crisis because of this issue in 2019.

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Things get even trickier with two sets of small islands in the South China Sea and the East China Sea.

2 The South China Sea islands and the Nine/Ten/Eleven-Dash Line

In the South China Sea, there's a string of tiny islands that sit in waters between Mainland China, the Island of Taiwan, the Philippines, Vietnam, Malaysia and Brunei. It's difficult even to refer to the islands by name as each country and region has different names for them. They're covered by various treaties, some overlapping, some separate, and the islands, surrounding waters and seabeds are claimed by various places. There's even been a United Nations tribunal on the issue which was brought by the Philippines against China. The tribunal ruled in favor of the Philippines but China rejected this ruling.

A map showing slightly different lines in the sea with nine, ten or eleven dashes around many of these islands has been issued at various times in China's history starting around 1947. The most recent maps were released around 2014. The line hasn't been officially explained but many see it as indicating China's territorial claims in the area.

This line caused a PR crisis for Dreamworks in 2019 that we'll get to later.

3 The East China Sea islands

There's another set of islands in the East China Sea above the island of Taiwan and below Japan. These islands are claimed variously by Mainland China, groups from Taiwan and Japan. They're currently administered by Japan, but small groups of people from other places sail to some of the uninhabited islands, make landfall and plant flags from time to time. These islands also have a complicated history and various names in different languages. Recent disputes over these islands have at times even included rival claims to Okinawa, which is near the top of this island group.

This issue caused a PR crisis for a major Japanese brand in 2018.

Before we get to the case studies, you need to be aware of how these issues can also cause PR crises outside of China.

In October, 2019, Dreamworks and its Shanghai-based joint venture Pearl Studio released their first co-production, *Abominable*. It's an animated film about children who meet a yeti and decide to take him home to China. The movie included a prominent image of a map showing China's 10-dash line around the disputed islands in the South China Sea.

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Because the line is disputed by other countries*, the film caused a huge row. It was withdrawn from movie theatres or boycotted in Malaysia, Vietnam and the Philippines. Malaysia offered to screen it if DreamWorks would cut the map image out, but the studio refused. There was a huge backlash among citizens and political leaders in the region and there were international headlines about the incident.

(*A United Nations tribunal has ruled against the map's claims and international law does not recognize any country's sovereignty over open waters.)

Around the same time, ESPN also showed a China map that included the 10-dash line and different borders during an NBA China broadcast. This became an item on Twitter and got extensive coverage in the sports press and some mainstream American press.

In the end, Dreamworks refused to make any comment on the issue and *Abominable* went on to do well at the box office in other markets. ESPN, which is 80% owned by Disney, did not issue any statement or respond to requests for comment but a report in Mashable South East Asia claimed that the dashed line map was used by accident and the network didn't use the map again.

Although the controversy died down rather quickly

and the brands suffered no problems in China, they got negative international press and faced increased scrutiny and criticism in other places in Asia due to the controversy.

Case Study 1

Who: French luxury brand, Christian Dior

When: October 16th, 2019

What happened? A Christian Dior employee made a presentation to students at Zhejiang Gongshang University in Hangzhou as part of a recruitment event for the brand's internship program. One of the images in the presentation showed a map of China that did not include Taiwan. When a student questioned why Taiwan wasn't on the map, the employee explained that Taiwan was too small to be shown. After it was pointed out that Hainan island, which is smaller, could be seen, the employee responded that Taiwan and Hong Kong were only included in Dior's presentations on "Greater China".

A video showing the slide and detailing the exchange was posted on Chinese social media. The exclusion of the island and the employee's responses sparked outrage on the Chinese internet. It spread virally on Weibo and other platforms.

Fallout: Enormous online outrage, mostly on Chi-

nese social media, and international press coverage.

The brand's crisis management:

Soon after the controversy came to light, the brand issued a statement in Chinese on Weibo saying that it would “seriously investigate” the incident. Within hours, it issued a clearly worded apology on its Chinese Weibo account. According to a report from Reuters, it read, in part, “Dior first extends our deep apologies for the incorrect statement and misrepresentation made by a Dior staff member at a campus presentation. Dior always respects and upholds the one China principle, strictly safeguards China’s sovereignty and territorial integrity, and treasures the feelings of the Chinese people.” It added that it would take precautions to prevent similar incidents from happening in the future.

It subsequently posted an English statement on Facebook saying that it took “full responsibility” for the error. It also stated, “We have strengthened our global brand awareness and we will continue to review all our digital platforms globally to correct any inaccuracies.”

As an additional show of remorse and loyalty to China, on October 19th, after a Dior runway show in Shanghai for their Spring 2020 show, the brand made a point of prominently and loudly playing the

traditional patriotic song “Me and My Motherland” (我和我的祖国 wǒ hé wǒ de zǔguó) at the after-party.

The situation today:

Although many inside and outside of China saw the brand’s decision to play a patriotic song three days after the uproar as a sign of desperation or grovelling, it seems that things returned to normal shortly after the controversy. Their prompt, apologetic official response prevented further backlash from spreading and the brand’s crisis management actions were well-received by Chinese fashionistas and consumers.

The brand’s most recent English press related to China is positive. The brand also got a new brand ambassador, Wang Junkai, who was warmly welcomed and things went back to business as usual.

Case Study 2

Who: Japanese lifestyle brand Muji

When: January, 2018

What happened? Muji put maps in catalogues that it distributed at one of its stores in Chongqing to show the brand’s shops around the world. China’s National Administration of Surveying, Mapping and Geoinformation flagged them because the maps did

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not include any of the islands in the East China Sea or the South China Sea claimed by China. Some reports also mentioned that Hainan Island was a different colour from the Chinese mainland and that Taiwan was incorrectly labelled.

The brand was asked to destroy the catalogues.

Fallout: It sparked a regional political incident between China and Japan, outrage among Chinese and Japanese citizens and international press headlines.

In Tokyo, Japan's Chief Cabinet Secretary Yoshihide Suga said his government officially lodged a protest with the Chinese government about the order to Muji. In China, foreign ministry spokeswoman, Hua Chunying said, "All foreign companies in China should respect China's sovereignty and territorial integrity. I believe it is a universal principle agreed upon by all countries."

The brand's crisis management:

Muji confirmed with the Global Times that the incident was real and that the company had contacted the bureau of urban planning in Southwest China's Chongqing Municipality and made appropriate corrections. Responding to its order to discard the catalogues and implement measures to prevent similar practices, the Japanese company said it had

taken “appropriate measures” and scrapped the catalogues.

The situation today:

Despite the reaction of the Japanese government, which went on for longer and encompassed wider issues, Muji put the issue behind it rather quickly as it swiftly complied with the directives of the Chinese government. However, the event was just one in a series of challenges for the brand in China and the event reminded consumers of tensions in China’s relationship with Japan and Japanese retailers.

Other brands that had map-related mishaps in 2018 and 2019 were Audi, Volkswagen and Gap.

In March, 2021, animated children’s program Super Wings, a China-Korea-US co-production, also got into some map-related trouble. The program, about a cartoon airplane that flies to different countries talking to children and learning about their culture, showed maps of China that didn’t match official standards and it was also accused of strategically placing characters in front of the map so that Taiwan couldn’t be seen. There were additional issues related to explanations in the show of the origins and traditions of the Mid-Autumn Festival. Episodes of the show were taken offline as a result although isolated clips from the program could still

be found.

Lists of Cities and Countries

Closely related to the topic of maps is the next issue that caused a headache for many brands, especially airlines, in 2018. Whether it's lists of cities and countries on your app, a table on your brand website, a webinar schedule or a limited edition T-shirt, this has happened to other brands and it can happen to your brand too.

Hong Kong and Macau

Hong Kong and Macau are different from other cities in China.

Prior to 1997 for Hong Kong and 1999 for Macau, the two places were considered city states or colonial territories and were usually listed as countries. After 1997 for Hong Kong and 1999 for Macau, the two became special administrative regions (SARs) of the People's Republic of China.

Being special administrative regions, they operate differently from cities and regions in Mainland China, but they are no longer independent countries or colonies. They are now part of China and have been internationally recognized as such since their leases to foreign governments expired or were renegotiated and they were returned to China.

Because they're such unique places and their status may not be well understood outside of China and Asia, they're sometimes listed as independent countries. This also happens because some companies haven't updated their city and country listing systems since 1997 or used outdated references. Because everything continued to work just fine, most people didn't notice until China began its recent scrutiny and enforcement.

Taiwan

As covered earlier, Taiwan is a complicated situation. Please look up the One China Policy, the One China Principle and the 1992 Consensus for some explanations of the finer details and different perspectives on the issue.

For marketing in the People's Republic of China (PRC), it's important to understand that Taiwan is not to be listed as an independent country. The requirement for this to be enforced consistently internationally, and not just domestically, started around 2017, and enforcement and scrutiny became stronger in 2018 and 2019. China has been particularly strict with airlines as the nation standardizes its policies in the air travel industry.

So many brands were caught up in this issue in the last few years that it's easiest to list them by industry

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and cover a few representative cases in a bit more detail.

Case Studies and Affected Brands:

Airlines

In 2018, China decided to standardize location references for all airlines. On April 25, China's Civil Aviation Administration sent a letter sent to at least 36 foreign airlines that listed Taiwan in ways that weren't consistent with each other or with China's requirements.

The list included:

American Airlines, Delta Air Lines, United Airlines, British Airways, Qantas, Singapore Airlines, El Etihad, AirAsia, Malaysia Airlines, Lufthansa, Cathay Pacific, Air New Zealand, Emirates, Air Canada, Air France, Garuda, Japan Airlines and ANA.

Hua Chunying, a spokeswoman for China's foreign ministry, told reporters, "I just want to emphasize that there is only one China in the world, and Taiwan is a part of China. This is an objective reality, common knowledge, and a point internationally agreed upon. Any foreign company operating in China should comply with this."

The airlines had until July 25th to delete any men-

tion of Taiwan as a country from their websites and marketing materials.

Although consequences for non-compliance weren't spelled out, many companies thought they'd have points deducted from their social credit score (a system of reputation measurement that is currently being rolled out nationwide in China) or that they'd be denied landing rights at airports in China.

United Airlines complied with the request by listing airports in the region with city names and airport codes only. For example, "Taipei (TPE)," "Hong Kong (HKG)," "Macau (MFM)," and "Beijing (PEK)." It also allowed customers to list their location as one that uses Taiwanese currency.

Some airlines received further communication after their adjustments that "rectification is still incomplete" because they still did not list Taiwan as a Chinese territory.

Travel and Tourism

Marriott International listed Hong Kong, Macau and Taiwan as countries in a questionnaire for customers and Global Blue, a Switzerland-based tourism shopping tax refund company, listed Hong Kong as an independent country in its refund system. They

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were later amended and Global Blue dismissed a staff member who made claims about Taiwan's status as an independent country.

Fashion and Luxury Brands

Shanghai's Cyberspace Administration called out global fast fashion retailer Zara for listing Taiwan as a country on its website and ordered the retailer to carry out a "self-inspection", turn in a rectification report and publish an apology.

Ray-Ban sunglasses quietly changed its website description of "Taiwan" and "Hongkong" to "China Taiwan" and "China Hongkong." It's not known if Chinese authorities contacted parent company Luxottica and asked them to make the changes or not.

Other luxury and fashion brands affected by this issue in 2018 and 2019 included Asics, Versace, Swarovski, Valentino, Calvin Klein, Givenchy and Coach.

Other Affected Brands

Samsung, Harry Potter's Wizarding World website and medical equipment brand Medtronic.

Guidelines to Avoid a Map or City/Country PR Crisis in China

1. Avoid maps. Find other ways to represent China whenever possible.

2. If you must use a map, get an official copy from China's National Administration of Surveying, Mapping and Geoinformation or choose a map wisely and examine it carefully. Keep in mind that using some official maps from China may result in controversies in other parts of Asia or internationally.

For maps to be used in educational institutions in China, have them checked and approved by the relevant Chinese government departments or by reliable partners at the educational institution.

3. Flags and emblems can also be sensitive. Flags of disputed regions or areas that are not officially recognized are highly problematic and most countries (not just China) have strict requirements about how flags or emblems can be used, what products they can be associated with and how they may be presented in published form, including their dimensions, colors and more. Decisions to display flags and emblems require careful consideration and consultation.

4. Make sure your city and country listings are up to date, have accurate, clear category names - city, country, region, destination etc. - and use a system that is internally consistent.

5. If attendees at events or commenters online ask

questions or point out perceived errors in maps or city/country lists, make sure to listen carefully. Take note of the issues and treat the comments as constructive criticism. Apologize, thank the person for pointing them out and reassure the speaker/commenter that any necessary corrections will be made. Follow through when time allows. If it is a live presentation, quickly move on to keep up the pace, momentum and energy.

If you are unclear about an issue that has been brought up, get the audience member's name and speak to them privately after the presentation to understand the issue better. If this happens online, engage commenters through private messages to understand the situation better without distracting others. Always thank members of the public for helping you to improve your information and materials.

6. Keep in mind that depending on how you deal with certain issues, people in other regions may be unhappy, which can lead to more controversy. If you'd like to find a middle way or devise a compromise, examine best practices that other individuals and companies have adopted or speak to people on both sides to find a workable solution.

Steps to Take if a Map or City/Country PR Crisis Arises in China

1. Investigate to learn the facts immediately. Make

any necessary corrections and apologize as quickly and clearly as possible in Chinese on Weibo, WeChat or the brand's official Chinese website.

2. If an apology or statement is issued only in Chinese on Chinese platforms, it may be viewed as insincere or lacking in conviction so it's best to issue a mirror statement in English in Western outlets addressed to the global Chinese community.

3. For these crucial issues, the apology must reflect the weight of the issues involved in tone and wording. Reference must be made to China's policies as a nation and respect for the feelings and views of Chinese people.

If you're wondering how to deal with a sensitive issue, have urgent questions about marketing in China or want to hone your digital media presence in China, arrange an expert call or in-depth consultation with us. Contact natalia@alarice.com.hk to schedule your consultation.

CHAPTER 2

Cultural Deafness and How To Avoid It

In this chapter, we'll examine a key case that highlights some common mistakes that brands make in China.

Cultural Insensitivity, Politics and Paperwork: A Case Study of Victoria's Secret

Part 1

In August 2017, American model Gigi Hadid announced via Instagram that a dream had come true. She was delighted to tell everyone that she would be working with Victoria's Secret again and walking in their 2017 Shanghai show. It was the brand's first

show in Asia.

Even though Instagram is blocked in China, Chinese users began posting negative comments on her Instagram and Weibo accounts. Why?

Earlier that year, a video of Gigi squinting her eyes and smiling as she imitated the face of a decorative Buddha had been posted. The video was reposted by an unhappy user in response to her Victoria's Secret announcement. Many took offence and felt that she was mocking Chinese people specifically or Asians in general and commenters let her know, very vocally, that they thought she was hypocritical and mean. Chinese commenters said that they didn't want her to come to China.

After a while, Gigi disabled the comment function on her post. But that wasn't the end of it.

People continued the negative comments on Weibo and started to flood her other Instagram posts with similar comments and negative emojis, like snakes. Many commenters were also upset that Hadid had never apologized for her behaviour in the earlier video.

A few days later, Hadid issued an apology on her official Weibo page in Chinese and English. Some

accepted her apology while others continued posting negative comments. About two weeks later, she pulled out of the Shanghai show without clearly stating why. Most thought her visa had been denied.

Part 2

It was reported that several Russian and Ukrainian models who were to be in the show were denied visas.

Part 3

The original musical act, Katy Perry, was reportedly banned from entering China indefinitely due to events at a 2015 concert in Taiwan. Perry draped herself in Taiwan's flag and wore a dress decorated with sunflowers. Sunflowers were the emblem of a political movement opposing a cross-strait trade agreement between Taiwan and China. The flowers on her dress were seen as a sign of her support for that movement.

Part 4

A record number of Chinese models, seven out of fifty-three, were featured in the show. However, veteran Victoria's Secret model, Ming Xi, who was walking in her fifth show for the brand, stumbled and fell in front of her hometown audience. She handled it well while on stage, laughing it off and getting up with some assistance, but she was very

upset once she got backstage. It was the last in a string of mishaps for the brand.

What went wrong?

Just about everything. This PR nightmare had cultural insensitivity, political issues, red tape and a literal stumble. Here's a shortlist.

#1

To begin with, China has strict rules about pornographic material and a common view there is that Victoria's Secret's revealing underwear and runway shows fall somewhere in this zone. Even for those who don't share this view, provocative underwear is risqué in a society that is still quite conservative and where ideals of femininity fit a demure, sophisticated image rather than being overtly sexual or flamboyant. The brand hasn't thrived in China for this reason and wasn't likely to be enthusiastically welcomed by authorities or the general public. Brands that want to enter the China market need to find out what local tastes are like and respond accordingly.

#2

The regulations for China visas, and work visas in particular, can be complex and change quickly. They take a lot of time to process and the outcome is never guaranteed. Anyone with China experience would have been working on these visas from 6

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months to a year before the show. It seems that the brand not only failed to do this, it also had models make announcements that they were in the show before their visas had been processed. Get a dedicated team with experience to look after bureaucratic issues. Don't make announcements until things are confirmed or keep them a surprise.

#3

The brand's failure to thoroughly check the political causes and social media histories of its models and performers were the next big hurdle it failed to clear.

Many singers, actors, actresses and brands have been banned from China because their actions are seen as a form of political interference. The list includes people like Harrison Ford, Brad Pitt (whose ban was lifted in 2014), Maroon 5, Jon Bon Jovi, Selena Gomez and Lady Gaga. Most bans are the result of posing with or sending public greetings to the Dalai Lama, even if it was just a brief birthday tweet from ten years ago. A few, like Justin Bieber, have been banned due to illegal, unsavory or disrespectful public behaviour.

Katy Perry, although she has plenty of fans in China, was a poor choice for the show because her actions at her Taiwan concert would not be viewed favorably by authorities.

Gigi Hadid's video clip resurfacing on social media was bad enough but neither she nor Victoria's Secret reacted to the negative feedback promptly or well. Her delayed, half-hearted reaction to the negative comments and Victoria's Secret's silence didn't do her or them any favors.

Do your due diligence. If anything goes wrong, issue prompt apologies in Chinese and English. Help your influencers and brand ambassadors and also issue statements as a brand to reassure consumers.

#4

Mistakes happen and Ming Xi's fall may have occurred regardless but ideally brands should do everything in their power to make such outcomes unlikely. In this case, for example, it would have been a good idea to ensure that all the models were familiar with their costumes, that all footwear fit well and to work closely with the Chinese models during rehearsals to ensure star turns and complete confidence in front of their hometown crowd.

How are things now?

Victoria's Secret moved on from these missteps but the brand then suffered setbacks in the American market. It was out of step with the country's evolving culture and was embroiled in controversy when a top executive left amid allegations of harassment

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and seedy affiliations. It was sold to L Brands in early 2020. After Covid-19 hit, it announced that it would be closing 250 stores across the US and reviewing its UK and China operations to reduce losses. In June, 2020, it abruptly closed its Hong Kong flagship store and seems to be turning away from the business model that sees large stores on key real estate function as an ad more than a store.

Attitudes toward Hadid remain unchanged and there was further backlash against a Vogue cover featuring her and a Chinese model.

Ming Xi who had seemed to recover so well from her fall in front of the crowd, cried and was comforted as she came off stage. Chinese social media commenters were not kind. She soon issued an apology on Weibo that read:

“I’m sorry for letting you all down and thank you for your concern. Working as a model for seven years, I have fallen down on the road too many times to count, but I know that no matter how much it hurts, I have to keep getting up and walking to the finish. The road to the future is long, but I will not stop. Thank you all.”

In less than an hour, her post got more than 360,000 likes, 100,000 comments and 40,000 shares.

A Unique Case: Dolce & Gabbana

Another brand that has run into trouble in China for its controversial and provocative actions is Dolce & Gabbana. I'm not going to talk about them a lot in this chapter even though an ad campaign featuring a Chinese model struggling to eat pizza with chopsticks and some leaked direct messages from Stefano Gabbana containing derogatory language about China caused a very negative stir there in 2018. It led to the shuttering of their Shanghai show and the brand being pulled from Chinese online retailers like Tmall, JD.com and Red. The founders made an apology video but many saw it as robotic and insincere.

Dolce & Gabbana might seem to fit in this chapter but it's in a slightly different category. The brand's founders have courted controversy all over the world for many years. There are even articles with titles like "Every Bad Thing Dolce & Gabbana Has Done" that detail a series of scandals from 2010 onward that includes everything from tax fraud allegations in Italy, controversial statements about IVF, negative comments about people from Naples and Japan, social media comments calling American stars ugly and the clothing of other high fashion European brands cheap. There's more but we have limited space.

The pattern goes something like this. There's a scandal that seems to be largely the making of the brand's founders. There's shock and outrage, which only seems to fuel the brand's publicity machine. This is followed by apologies, reconciliation and, eventually, a return to business as usual. It's a privately held company that doesn't rely on or need to please investors. They don't run their business according to corporate norms and seem to live by the twin mantras of "There's no such thing as bad publicity," and "I don't care what the newspapers say about me, as long as they spell my name right."

At the end of 2019, their sales in China had dropped 3% but had risen 4.9% globally and they were still a highly profitable company. They rely heavily on sales in their exclusive boutiques and have also stated publicly that when sales of their items fall in one place, they rise in another. They didn't seem to be too concerned and it's a long-term, international pattern for the brand so they don't really fit this book.

Having said that, the usual pattern of forgiveness, reforging of ties and a return to the status quo hasn't really panned out for them in China. On top of that, it'll be interesting to see if their old patterns hold in the future or if they'll be able to rely on their physical boutiques so heavily going forward.

In April 2020, the founders made a huge donation to Humanitas University in Italy for Covid research. In May, 2020 they said in an interview that the brand would lose out a lot in 2020 as its stores couldn't operate as normal. Then in June, 2020, after a 22 year split with Italy's governing fashion body, Camera Della Moda Italiana, they reunited to be part of Italy's first Digital Fashion Week with their first on-line-only fashion show.

If you want to know more about your sector's, your competitor's or your brand's current performance in the China market and on social media, we can tell you in detail. Find out more about our market research at <https://alarice.com.hk/services> or contact natalia@alarice.com.hk and we'll set it up.

CHAPTER 3

Festival Flops

It's important to get the finer points of language, cultural symbols and special holidays right. It's also important to understand what consumers expect and what they detest. These blunders often cause a stir, lead to a flurry of negative comments on social media and then blow over leaving a dent in a brand's reputation. It's a shame because some simple research alongside testing the reactions of ordinary Chinese people can easily prevent these kinds of mishaps.

In this category, it seems like Chinese New Year is prime time for Western brands to really put their foot in it and these kinds of blunders seemed to hit a peak in 2015 and 2016.

Givenchy, Longchamp, Calvin Klein and others have also had Chinese New Year offerings that fell

flat. Givenchy's Year of the Monkey T-shirts and sweatshirts featured an image that many felt looked like angry orangutans wearing eyeshadow. For the Year of the Rooster, Longchamp added a rooster to one of their classic bags that commenters felt was slap-dash with little thought for aesthetics. Calvin Klein's rooster-themed underwear also looked like ripoffs to many.

Let's have a look at some other examples.

Nike's fat footwear

In 2015, Nike released limited edition Air Force 1s with bright pink and green lotus flowers on the tongue, a fish on the back and a chubby baby's face inside the heel of the shoe. The shoe design didn't go over well. The impression among some people was that it looked like it had been created by a local farmer while others said the bright red Chinese characters on the back of the shoe made them look like they were fake.

But the blunders weren't over yet.

The next day, they released a pair of special edition sneakers. Sewn onto the back of the left shoe was the character "Fa," which translates as "Getting rich." On the back of the right shoe was the character "Fu," meaning "good fortune." How could such a

positive message go wrong?

Unfortunately for Nike, when combined, “Fa” and “Fu” translate as “Getting fat.”

Louis Vuitton’s janky jewelry

In 2016, Louis Vuitton honoured the year of the monkey with some special jewelry. Unfortunately, it was met with derision after being featured on the Weibo page of popular KOL Gogoboi. The pendants, featuring gold and diamonds, were highly stylized and circular, and many people didn’t recognize them as monkeys. Some people thought they were aliens. Others just thought they looked creepy. For the price they were asking, \$2,450, people expected better.

Burberry’s scarf screw up

In 2015, UK fashion brand Burberry rolled out a Chinese New Year scarf featuring a monogram in Chinese. The character 福, “fu”, meaning “good fortune” (the same character that tripped up Nike), was embroidered on the corner of the scarf in red. An ad for it circulated on social media with more than 3,500 mostly negative comments. Commenters thought that it looked like a knock off or like the company had lost its taste level.

Burberry also incorrectly positioned the character.

On the Chinese New Year banners that the scarf was trying to evoke, characters are typically displayed upside-down. This is a symbolic way of showing that good fortune has arrived because in Chinese, “upside-down” and “to arrive” sound the same.

People collectively rolled their eyes at the huge price markup as the scarf cost about \$215 more than the regular version.

One clever commenter posted “What the Fu...?” Another summed up the key issue well with the following comment on Weibo, “If you want to integrate exotic cultural elements, then you should do it the right way.”

Burberry put its foot in it again in 2019. Their photo campaign for Chinese New Year featured a family decked out in the brand’s clothing. They were pictured together in various family photo styled poses. Sounds fine so far, right? Well, the problem was that no one in the photos looked happy. Far from it. They looked, dour, depressed and sinister. Some people thought it was a poster for a horror movie or a promo for a TV drama about nasty family intrigue.

Balenciaga’s Vapid Valentine’s

It’s not only Chinese New Year that has confounded brands. In 2020, Balenciaga made a misstep on Chi-

na's Valentine's Day.

The Qixi Festival, which celebrates love, is on the 7th day of the 7th month on the lunar calendar, which usually falls in August. In 2020, Balenciaga launched a campaign for the holiday featuring Chinese male and female models holding the brand's four limited edition hourglass bags. Across the front of the bags, in a highly stylized graffiti font, were Chinese characters that said "He Loves Me," "I love you," "You love me," and "I love me."

The backgrounds were old-fashioned images of clouds, mountains, waterfalls and forests with flowered borders, red heart motifs, and text. They looked like they had a filter on them to bring out certain greens, blues and reds.

Chinese fashion fans took to social media to vocally reject the pictures. They were called ugly, tasteless, tacky, gaudy and insulting. In trying to represent the cool retro vibe of China's Gen Z, the brand had instead come off as hopelessly behind the times. Some saw it as reminiscent of photos taken in rural areas in the 1990s, or a parody of them. Others saw it as the brand being lazy and just not putting in any effort.

Hashtags that translate as #Balenciaga'sChineseValen-

tine's Campaign is Tacky, #BalenciagaInsultsChina and #Balenciaga's ad is unattractive flooded social media. There were more than 180 million views and 220,000 discussions on Weibo.

The fact that the ads were published when many were feeling heightened emotions due to the pandemic and people were spending much more time online may have played a role in the huge backlash. There was also an incident in 2018, when some Chinese shoppers said they were mistreated at a Balenciaga shop in Paris, that may have made consumers feel less forgiving toward the brand.

Since it was only a case of taste and tone mismatch, there was no lasting damage, but it did put the brand on notice that it needed to rethink its visual approach and had to work harder if it wanted to be seen as a taste and trend leader.

Festival Lessons

In 2021, it seems that many brands have learned from their blunders as festival marketing improved tremendously and was tapping into traditions, rituals, emotions and nostalgia in all kinds of tasteful, appealing ways that hit the mark with Chinese consumers.

Products made for festivals and special occasions

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need care and attention. Chinese characters, their meanings, placement and symbolism should all be checked carefully. When traditional Chinese elements are used in a way that's either wrong, cliché, too obvious or too meta, the effect is lost.

Consumers expect something sophisticated, elegant and a cut above from Western luxury brands and they expect it even more from a brand's holiday offerings. They look forward to being pleasantly surprised and also expect a product's appearance to match its cost. No one wants items that look like local copies and customers are disappointed if they feel a lack of imagination.

For holiday designs, put in the time and effort to come up with something unique, surprising and desirable. Brands could also let customers choose their favourite design from a selection submitted by local designers and announce the winner in a special unveiling.

And lastly, listen to your local teams and know when to defer to their expertise. Don't leave them out of the decision-making process.

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CHAPTER 4

Personal and Business Ethics

Crisis in this category can cause serious damage to brands, create headlines in the mainstream press, cause substantial reputational and financial damage, end up in court and ruin lives. These cases can involve accounting and financial irregularities or ill-advised personal behaviour.

Financial Fraud and Corruption

China is no stranger to tales of corporate corruption. One of the biggest financial scandals of 2020 involved domestic coffee chain Luckin Coffee being caught falsifying its sales and profits. However, foreign firms are not immune and have been implicated in the past. The biggest crisis involving a foreign company started in July 2013 when GlaxoSmithKline (GSK) became embroiled in financial and personal scandals.

GSK is Britain's biggest drugmaker. In May, 2014, the British head of its China business, Mark Reilly, and others at the company were charged with corruption after it was found they'd made billions of yuan from bribery schemes involving doctors, hospitals and government officials in Beijing and Shanghai. It was thought to involve around 3 billion yuan paid to travel agencies to facilitate the bribes.

The pharmaceutical industry worldwide is known for the incentives it provides to medical professionals and hospitals and similar behavior was known to happen in China. However, many were still surprised that GSK was involved in this scandal and that the behavior went right to the top of the organization including foreign staff in such high positions in the company who didn't even speak Chinese.

And not only were there corruption issues, there were also issues of infidelity. Video recordings of Mark Reilly at his home in China with his mistress in compromising situations were sent out to regulators in China and top executives at GSK.

GSK cooperated with authorities and issued a statement from its London headquarters which included the following:

"We take the allegations that have been raised very

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seriously. They are deeply concerning to us and contrary to the values of GSK.” It went on, “We want to reach a resolution that will enable the company to continue to make an important contribution to the health and welfare of China and its citizens.”

In September, 2014, after a trial in Changsha, the company apologized to the Chinese people, and paid 3 billion RMB (439 million USD), one of the biggest fines in Chinese history. Four executives of the company, including Mark Reilly, were sentenced to jail and Reilly was deported. GSK faced a further \$20 million civil penalty in 2016 from the SEC in the United States.

In other measures to clean up its reputation, GSK stated that it wanted to become the first company in the drugs industry to stop paying outside doctors to promote its products, end payments for medics to attend conferences and separate incentives for sales representatives from individual sales targets.

A Surrogacy and Alleged Abandonment Scandal

In January, 2021, Chinese actress Zheng Shuang was unveiled as the face of Prada in China. However, after only one week, Prada released a statement via Weibo saying that they were terminating all relations with the actress due to significant recent media coverage of Ms Zheng’s personal life.

Recent events had led to the revelation of some distressing allegations. It started with a Weibo post by her ex-partner, producer Zhang Heng, who was addressing speculation about his extended stay in the United States. He said that he was looking after two children, was stuck in America and felt helpless. As information came to light, it turned out that the children were his and Zheng Shuang's and that they had been born to two surrogates.

Documents also showed that Zheng Shuang had married and was now in the process of divorcing Zhang Heng amid claims that he'd been unfaithful and cheated her out of money that she loaned him. Zhang was ordered to repay the money to his former wife by a Shanghai court.

But there was more. Recordings were leaked of Zheng Shuang discussing the pregnancies with her parents and she expressed frustration that it was too late for them to be terminated.

Zhang Heng reported that he wanted to come back to China but couldn't return with the two children as Zheng had to sign certain documents to allow that to happen and she had refused to do so.

Using surrogates is illegal in China but if people use surrogates overseas, they can't be charged under

Chinese law. The abandonment of children is subject to punishment under Chinese law however.

In addition to more backlash online for what people saw as excessively hasty and irresponsible behaviour by both Zheng and Zhang, people reacted especially badly to what they viewed as cold-hearted actions on the part of Miss Zheng.

In addition to Prada, multiple brands severed their relationships with Miss Zheng. UK jewellery brand Lola Rose deleted all content with Zheng from their social media. Harper's Bazaar deleted a feature on Zheng Shuang from their social media. Chinese cosmetics brand Chioture also terminated its contract with Zheng Shuang as their spokesperson. She also had awards revoked and was shut out by China's State Administration of Radio, Film and Television.

In terms of PR management, the brands took swift action but could have saved themselves a lot of trouble by doing some in-depth background checks on the star before signing any contracts with her to begin with.

An Investigation and Revelations of Infidelity

JD.com founder Richard Liu was arrested on rape charges in the United States in 2018. The charges were dropped after a thorough police investigation. However, this cast a cloud over his character and

revealed that he wasn't behaving like the married man that he was while on business trips. It brought some very unwanted and unfavorable attention to himself and his company and cast doubt on his decision-making skills.

Liu has since been relegated to the background at his own company and in 2019 he stepped down from his position as a member of the Chinese People's Political Consultative Conference (CPPCC). The company's shares also took a dive as a result of the controversy. It seems that JD.com never issued any public statements and has preferred to deal with it by simply having Liu fade out of a public role as the face of the company.

Badly Behaved Basketball Players

In 2016, NBA player Bobby Brown and his teammates visited the Mutianyu section of the Great Wall. This section of the wall was started in the middle of the 6th century and rebuilt in 1568. It's one of the best preserved parts of the wall. He scratched graffiti into the UNESCO World Heritage Site and then posted a picture of it on his Weibo account. Weibo is like China's Twitter. His post quickly triggered uproar and condemnation.

He issued an apology on a follow-up post on his account saying, "I'm so sorry for this!! I apologize. I

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didn't mean any harm by this, I respect the Chinese culture. I made a [sic] honest mistake... hope you forgive me." Both posts have since been removed.

This is an especially big blunder given that he played for the Houston Rockets, known for being Yao Ming's team from 2002-2011. The team is well-known and loved in China for that reason. If any NBA player should have known about respect for Chinese culture, it should have been a Houston Rockets player.

In 2017, UCLA basketball players LiAngelo Ball, Cody Riley and Jalen Hill were arrested for shoplifting in China causing a stir that spiralled to the extent that the American president involved himself. The players were questioned about stealing sunglasses from a Louis Vuitton store next to the hotel the team had been staying at in Hangzhou while the team was on a short publicity and goodwill tour in China.

It was an international incident - foreigners causing a controversy in another country where the culture and legal system are different - and a stupid one at that. The players were called criminals, idiots and embarrassments to UCLA and the United States. LaVar Ball, the very vocal father of LiAngelo, and the president got involved as well so you can see how things spiralled.

The players were suspended from the team with Li-Angelo eventually withdrawing from UCLA to play in Lithuania. The team held a news conference in China with Cody Riley saying, "I want to start off by saying how embarrassed and ashamed I am. I feel terrible, and I'm sorry to everybody who I have let down." Jalen Hill said, "I hope that this mistake will not define me as a person, I don't want to be known for this dumb mistake."

Unlike Ball, Riley and Hill waited out their suspension, worked hard, took their punishment, showed true remorse and redeemed themselves in the years that followed.

A Puffed Up Pop Star

In September 2013, Justin Bieber was in China on his Believe tour and performed in Beijing. Around this time, pictures of him being carried up the Great Wall on the shoulders of two broad-shouldered security guards made their way to Twitter. A small group of fans excused it as a joke but most people, within and outside of China, saw it as laziness, childishness and an obnoxious display of privilege and status. It didn't endear the 19 year old to many people, least of all Chinese netizens, as it matched a long-standing pattern of behavior that showcased the star's immodesty, immaturity, poor judgement and lack of etiquette. He became a global laughing

stock.

Then, in April, 2014, while on tour in Japan, Bieber posted a photo to Instagram of himself and another person standing outside a shrine with the caption “Thank you for your blessings.” The place pictured in the photo was very recognizable to many in Asia. It was clearly the Yasukuni Shrine, a place that encapsulates many of the deep historical divisions in Asia and terrible memories of war. War criminals responsible for atrocities against China and Korea are buried there so anytime there are official visits to the shrine, particularly by high ranking Japanese politicians, tensions flare between Japan and its former enemies. The 20 year old also didn’t seem to understand that these same war criminals were responsible for the deaths of many Americans, Canadians and others.

The backlash was swift and strong with commenters telling the pop singer about the location and who was honored there. He later removed the photo and gave a strange, feeble excuse saying that he’d asked his driver to pull over when he saw a beautiful shrine. This is highly unlikely, not only for simple logistical reasons, but also because a person in his position has lots of publicists, lawyers and advisors to help with decisions like this. He then wrote, “To anyone I have offended I am extremely sorry. I love

you China and I love you Japan.” Apparently he forgot about his love for Korea, Canada, the US and many other places.

In 2017, the singer was barred from performing in China due to bad behavior that had caused public dissatisfaction. The events listed above, as well as many others that occurred in various countries, including being arrested in the United States, have disqualified him from China entry and the situation is unlikely to change.

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CHAPTER 5

Sensitivity to Social Unrest and Emergency Situations

We live in strange times. 2020 has been unique as people all over the globe experience the same extended health emergency at the same time in the form of the Covid-19 pandemic. And that wasn't all. Catastrophes, controversies, and cancel culture all took their toll.

In the wake of fires, protests, floods and tragedies, brands and their employees, especially those in positions of leadership, have to keep implications in mind and should be careful about when, how and

in what capacity they make their opinions known. First thoughts should always be for those most affected and how to help. Tone has to be handled delicately. If not, people may see efforts as attempts to exploit situations to sell or promote products.

As for political causes, if brands want to take a stand, they need to do their homework beforehand and understand that they may lose customers because of their position, no matter how safe or mild their stance may seem to them. This goes doubly for political situations happening in different countries and cultures. It may even lead to diplomatic rows or international incidents. On top of that, brands need to issue clear guidelines for their employees, particularly on public social media accounts, as many readers will interpret their statements as representative of the company or brand.

And, even if you do all your due diligence, things can still go wrong for reasons that may not be clear until later.

So, which brands have run into trouble on this front? Let's take a look.

The NBA - Unrest in Hong Kong

It's not unusual for top NBA players and coaches to voice their opinions on social media. In the first

weekend of October, 2019, Daryl Morey, the general manager of the Houston Rockets tweeted his support for protesters in Hong Kong. Unfortunately, at this time, while there were still some peaceful protests happening, there were ever more active groups of people claiming to be protesters who were merely engaging in vandalism, arson and property damage. The different groups were often confused by the press and many people outside of Hong Kong.

This caused problems for the NBA as Chinese fans were offended by the Houston coach's Tweet and China's state broadcaster, CCTV, said it would suspend broadcasts of the league's preseason games in China. Chinese sponsors there paused their deals with the Rockets and some exhibition games in China were canceled.

China is a huge market for the NBA and it generates millions of dollars there every year.

There was an attempt to smooth things over at first with the NBA saying that it was regrettable that many Chinese fans were offended by the comment but that they were not a political organization and their members were entitled to their own views. Morey later deleted his original Tweet and said in a two-part post on Twitter that he hadn't intended to cause offence, that he was listening to other per-

spectives and that his posts were his own, not representative of the Houston Rockets or the NBA.

Then the NBA's commissioner, Adam Silver, tackled the issue and spoke to the press on several occasions. He acknowledged that there had been economic effects and other consequences because of the Tweet but the NBA didn't and couldn't control the opinions of all its players and staff and that they had the right to freedom of expression.

In another statement, he said, "It is inevitable that people around the world — including from America and China — will have different viewpoints over different issues. It is not the role of the NBA to adjudicate those differences," and "the NBA will not put itself in a position of regulating what players, employees and team owners say or will not say on these issues. We simply could not operate that way."

With the league stepping back, this left it to individual players, teams and others to step in to clarify their positions or make further statements if they wished.

Houston player James Harden spoke to reporters in Tokyo at the time saying "We apologize. We love China, we love playing there." He continued, "We go there, you know, once or twice a year. They show us

the most support and love. So, you know, we appreciate them as a fan base and we love everything, you know, they're about. And, you know, we appreciate their support that they give us individually and as an organization. So you know, we love you." This statement may have smoothed things over with Mainland Chinese fans but it made some other groups of people unhappy with Harden.

So, more than a year later, in December 2020, how did things stand and what was the fallout?

The NBA's bottom line took a hit and it did lose money as a result of the Tweet. Estimates of losses were around \$150-200 million US dollars. Although this was an unpleasant result, in the grand scheme of things in a league that rakes in around \$6 billion US dollars, it only amounted to about 3% of their revenue and profits rose enough that there were salary increases in the league and the loss didn't affect forecasts for increased revenue going forward.

However, that revenue total doesn't include sponsorship deals for individual players, teams, and The Houston Rockets as a brand. These deals suffered and it's unlikely that the owners of the Rockets were happy about that.

Daryl Morey resigned from the Houston Rockets at

the end of the season after 14 years, but his coaching skills and winning record meant that he quickly found a new job coaching another NBA team, the Philadelphia 76ers. Morey and James Harden stayed on good terms and Morey was highly complimentary of Harden and other key Rockets players, saying this in his farewell speech.

“James Harden changed my life. An entire page could be dedicated just to James. He not only transformed my life, but he also revolutionized the game of basketball — and continues to do so — like almost no one has before.”

For his part, Harden made it clear that he didn’t want to stay with the Rockets without Morey at the helm and actively pursued being traded to another team. On January 13th, 2021, he was traded to the Brooklyn Nets.

Shoe brand Vans also ran into trouble with this issue in the Hong Kong market. The brand has an annual “Custom Culture” sneaker design contest. Two of the designs featured motifs related to protests in Hong Kong. Vans removed the designs after reviewing them “to ensure they are in line with our company’s long-held values of respect and tolerance”. This caused boycotts and refusals by some stores in Hong Kong to carry the brand.

Publicis Groupe - Covid-19

In 2020, Covid-19 was, unfortunately, a global phenomenon. Although China and Italy were among the first countries to feel the infection's most severe effects, they would not be the last. In the end, no country would be spared entirely, no one would be left untouched and some would go on to suffer greatly.

Sensitivity is required across the board out of respect for victims of the infection, their families, healthcare workers, health authorities and people all over the world dealing with fallout from the pandemic.

Publicis Groupe is a public relations company headquartered in Paris. In early August, 2020, its Head of Futures and Insights, Tom Goodwin, made some controversial Tweets.

"I find the total obsession with Covid deaths over all other deaths entirely gruesome. 7,500 Americans die every day but only the ones with this precise Virus matter. (& excess mortality is now near zero)"

His post was in response to one reminding readers that the number of people dying at that time was equal to the number of people who died on 9/11

dying every two days. He got lots of replies and responses reminding him of important issues and attitudes that he seemed to be missing. He seemed to have little empathy or consideration for those who had lost their lives or their loved ones and didn't seem to understand that these infections and deaths were preventable and that there was a lack of political leadership and health guidance in many places that was leading to higher infection rates.

A day later, Goodwin clarified that he was not speaking on behalf of Publicis. "Time to repeat that I'm not a voice of Publicis. This thread is just me, not representative of a Publicis POV." The tweet continued, "Apparently I've been quote tweeted, then blocked. So can't see any of the Tweet, or what emerged, or reply-I'm sure I'd be apologizing Not a victim, just being pragmatic"[sic].

There then ensued an exchange with Tom Morton, chief strategy officer at innovation consultancy R/GA, who said that Covid-19 deaths were spotlighted because it was a new disease with no vaccine, no cure and it was the cause of 150,000 deaths just in the US at that time. Morton then called Goodwin's Tweet "clickbait contrarianism", and finished with "You're better than this."

Goodwin launched into an angry response which

left Morton to reply with “I guess this is the end of me and Tom Goodwin’s professional correspondence”. Others from the PR, marketing and media world joined in, most in full support of Morton.

About three days later, Publicis Groupe announced that it was parting ways with the ironically named Goodwin and a spokesperson said in a statement that his social media communication did not meet “the standard of conduct” the agency expects of its company’s employees and were not aligned with the company’s values. “Since the beginning of this pandemic, Publicis Groupe has taken decisions and actions led by the principles of unity, empathy and humanity despite the collective hardships. These posts and exchanges by Tom Goodwin this week on social media do not meet the standard of conduct we expect of our company’s employees and were not aligned with our values. Publicis and Tom have parted ways.”

An Unfortunate Photo Shoot

Tiffany was also caught up in controversy when an image of a model, taken in May 2019, that featured her with one hand on her cheek and one in front of her eye highlighting the rings on her fingers, was featured in a campaign. Just before the campaign, some protesters in Hong Kong had begun to cover

their eyes with patches and bandages to draw attention to eye injuries that had been suffered in some of the protests. The image was interpreted by some viewers in Mainland China, where coded messages to evade censors are common, to be a sign of support for protesters or rioters. The image was withdrawn and the brand stated that it was taken long before eye injuries were an issue and “was in no way intended to be a political statement of any kind.”

What We Can Learn

Organizations need to be clear with their employees and representatives, particularly those with a high profile, about their company values, their public communication standards and their social media policies. These policies should be made clear when people are hired, may be stated in their contracts and regular reminders should be sent when major world events occur to ensure that all brand employees are on the same page.

Brands then need to make sure that their tone and approach to issues are clear to avoid confusion among the public. It's best if this is done before any issues occur but if not, it must be done as soon as possible after issues arise to make sure the public understands the brand's values and position.

It's important to remember that when there are natural disasters, unrest or emergency situations in other countries, it's sometimes hard to know the ins and outs of the issues. There may be subtle things going on under the surface that may not be clear from a distance. Doing research and learning about the issues at hand will likely serve you better than jumping onto a bandwagon or assuming that you understand what's happening. Consult local staff to understand local situations better and, after doing research and really understanding the issues, if your brand is prepared to take a stand, be prepared for the consequences and reactions.

Apart from that, show support and empathy. If your company is able to lend a hand or help those in need, please do so.

What are some other ways that you can avoid tricky situations? We'll get into that in the next chapter.

If your team needs training to better understand China's social media marketing world, needs to get everyone on the same page quickly or needs the tools to help you visualize, plan and activate marketing solutions quickly, we can help with tailored virtual corporate training. Find out more at <https://chozan.co/corporate-training/> or contact us at natalia@alarice.com.hk to set it up.

CHAPTER 6

Between a Rock and a Hard Place

There are some cases where brands become unintentionally embroiled in sensitive or political issues that are bigger than them. These cases, where brands are caught up in movements that are not of their own making and beyond their control, demand a different approach and response. This is especially so if brands end up in the middle of a conflict between two powerful economies or between the contradictory demands of consumers in different regions. Let's take a look at some examples from 2018 to 2021.

H&M, Nike, Adidas and others: The Better Cotton Initiative and Xinjiang

From around 2010 onwards, fast fashion brands like H&M and Zara, and big box stores like Walmart were

coming under fire for the damaging environmental effects of their manufacturing processes, their labor practices, copying the work of small independent artists and the fact that they destroyed excess stock instead of donating or recycling it.

In an attempt to work toward greater sustainability and clean up their image, brands like H&M, Ikea, Adidas, Nike, Levi's, Decathlon, Target, Benetton, Burberry and many others, joined the World Wildlife Fund for Nature's Better Cotton Initiative (BCI). The non-profit's aim is to promote more sustainable cotton growing and harvesting practices and humane working conditions for those in the sector. H&M even declared its desire to transition to 100% sustainable cotton by 2020 and reportedly sourced 95% of its cotton from sustainable suppliers in 2018.

In January, 2020, the American government banned cotton from Xinjiang due to concerns about practices in the region during a time of continuing trade tensions between the US and China. Xinjiang produces more than 20% of the world's cotton and 84% of China's.

In March, 2020, the BCI suspended licensing and assurance activities in Xinjiang due to what they called persistent allegations of forced labor. In October 2020, the organization stopped all field-level

activities there. There were also news reports about the issue featured in Western media.

In July, 2020, several US government departments, including the US Department of State and the Department of Treasury, issued an advisory warning of risks to US businesses in terms of supply chain links to entities allegedly committing human rights abuses in Xinjiang. This advisory was issued in connection with the Uyghur Human Rights Policy Act of 2020, authorizing the president to impose sanctions related to violations of the policy.

This meant that apparel brands that continued to source cotton from Xinjiang risked having shipments blocked at the US border, sanctions, unflattering press coverage and a customer backlash if their company or their suppliers were linked to these alleged abuses. Due to other incoming regulations, companies could also face duties of 10-15% for sourcing textiles or apparel from China. This set the stage for the controversy that erupted in early 2021.

H&M and Nike issued statements in mid-2020 saying that they were concerned about allegations of forced labour and H&M had stated that it did not source products from Xinjiang. There was no public reaction to these statements at the time in China.

However, in late March 2021, the Communist Youth League brought up these old statements in a Weibo post accusing Western brands of spreading rumors and boycotting Xinjiang cotton while trying to make money in the country.

This sparked a huge online backlash that seemed to target H&M more directly than other brands. There's some speculation that this may be because of tense relations between the Chinese and Swedish governments. Bear in mind that in China, online discourse is monitored and guided and that many commenters function as spokespeople for government policies and initiatives. Netizens came out against the company and its online stores were pulled from major e-commerce outlets like Taobao, Tmall and JD.com.

To further confuse things at this time, a representative from BCI's Shanghai office said it found no evidence of forced labor in Xinjiang.

In a statement posted on Weibo, H&M said it has always maintained high standards and transparency in its global supply chain and that its position did not represent any political position. It said it respected Chinese consumers, was committed to long-term investment and development in China and worked with more than 350 manufacturers in

China. The company declined to give statements to news media outlets.

In some cities, shopping malls pulled H&M ads from mall signs. The People's Daily called for boycotts of Western brands like H&M, Nike and Adidas that were part of the BCI. Chinese actors, models and singers spoke out against international clothing brands and cancelled contracts with them.

Other BCI affiliated brands like New Balance, Puma, Converse, Calvin Klein, Tommy Hilfiger, and Uniqlo were also affected. Western brand logos were blurred on TV shows. On some reality shows, this resulted in clothing on 50 people being blurred, including footwear, which sometimes resulted in an odd effect that made it look like people were walking on clouds.

Tencent even ended its partnership with Burberry and removed a tartan pattern from a character's outfit in hit video game Honor of Kings. The boycott affected the stock prices of the brands with them losing 2-6% in the short term.

As a result of the boycott, many consumers also switched their allegiance to Chinese brands. The big winners here were Li Ning's brand and Anta shoes. Chinese sneakerheads were snapping up some

shoe models for highly inflated prices. For example, a Li Ning limited edition shoe (100 pairs were made with Dwyane Wade in 2016) rose from 1,500 yuan (US\$230) to 48,000 yuan (US\$7,330) and a collaboration sneaker between Anta and Doraemon went from 499 yuan (US\$76) to 4,599 yuan (US\$709).

But this kind of inflation wasn't greeted with open arms either. The People's Daily said that this kind of behavior was "hurting people's patriotism" and taking local brands out of the reach of the average person. Xinhua said in a commentary that these kinds of price hikes could affect consumer trust.

In April, 2021, it was found that statements about Xinjiang had been removed from the Better Cotton Initiative's website and the organization claimed that this was because the site came under a sustained denial of service attack.

According to a report in the SCMP in mid-April, 2021, China accelerated plans to launch its own domestic cotton industry agency. Beijing-based cotton industry service provider Zhongnong Guoji began work on the Weilai Cotton (Future Cotton) project two years ago but it stalled. Then, in January, the state-backed China Fashion Association and Modern Seeds Development Fund got involved and set things in motion for the organization's development.

Interestingly, when reporters from the South China Morning Post interviewed shoppers on the street in China about the controversy, they expressed mixed feelings. Some people continued to buy the brands in question while others had switched to local brands. Managers at local apparel brand stores, like Li Ning, reported a 30% sales hike. However, many analysts expect these near term effects to wane as time passes and for things to eventually return to normal for all the brands involved.

Canada Goose and the extradition case for Huawei CFO Meng Wanzhou

The case of Meng Wanzhou's arrest and extradition court case is a complicated one that spans three continents, and has involved courts in several jurisdictions. It's based on US sanctions against Iran and an arrest warrant that was issued in New York in August, 2018 for Meng Wanzhou on the basis of claims that as CFO of Huawei, she had cleared money in American currency from HSBC in Hong Kong claiming that it was for Huawei instead of a company owned by Huawei called Skycom, which was said to be dealing with Iran, contrary to US sanctions. The basis for the action was that the money used was American currency.

On December 1, 2018, Meng was detained upon arrival at Vancouver International Airport and sub-

sequently put under arrest by the Royal Canadian Mounted Police to undergo extradition to the United States. Her extradition court case is still ongoing at the time of writing. Her bail terms allow her to reside at her luxury residence. She is free to leave home from 6 a.m. to 11 p.m. and can engage in daily activities, including shopping, entertaining and dining out, providing she abides by Covid-19 regulations, is accompanied by a security detail and wears a tracking anklet.

Shortly after her arrest, Chinese state media reported that a boycott of prominent Canadian brands and goods were likely as a result and that Canada Goose, a maker of high-end parkas and down jackets, which had been building its first physical store in Beijing at the time, would be the brand hit first. The store had been scheduled to open in early December. It subsequently postponed its store opening citing construction issues. Shares in the company dropped 20.6 per cent in the first trading day after Meng's arrest.

The brand had been gaining recognition in China as people like Jack Ma had been pictured wearing one of the brand's fashionable parkas. Chinese tourists had also been purchasing Canada Goose jackets and it seemed to be overtaking Italian brand Moncler in terms of popularity at the time.

So, how big was the backlash? Not very, it seems. Although there were some disparaging comments on Weibo, it seemed that people were more focussed on the fact that the average person in China couldn't afford a Canada Goose parka, which can retail for as much as US\$1,750.

The brand made no comments or statements on the controversy and when questioned about changes in the schedule for the opening of its first physical store, it would only cite construction delays. Given that all its production facilities are in Canada, their operations were not affected.

How is Canada Goose doing now? As president and CEO, Dani Reiss said in an interview with CTV in March, 2021, "We knew the retail traffic would be down because of the pandemic so we focused on digital. We knew that China was likely further along in their recovery and so we focused on bricks and mortar in China."

This resulted in Canada Goose reporting its largest revenue for a quarter ever in February, 2021. The company now has 10 stores in China and had successful pop-up exhibitions that focussed on immersive experiences. It plans to continue to grow and expand in China.

Silence is golden

There are a particular set of circumstances that set these cases apart from the others discussed in this book. There are larger political movements and actions taken by governments or authorities that have nothing to do with the brand and that were not initiated by the brand. In some cases, the brands must take certain positions in order to evade penalties or maintain good relations with their customers in certain markets and these positions may then be pinpointed as a problem in another market. So, what can be done?

In these cases, the best advice is silence and patience. Making statements, no matter how short or bland or formal, can simply prolong events. If a brand feels a statement is necessary to make its position clear, it should be short, clear, factual and formal and the brand should understand that there will be a reaction. This could be additional targeting on social media or in state media, falls in their stock, removal from Chinese e-commerce sites and other actions.

Usually, consumerism wins out in the end and people return to their previous shopping habits given time. In the case of Canada Goose, it seems to have actually brought them free publicity that boosted their brand.

The other option? Few companies are likely to go this route but one Finnish company completely pulled the plug.

After an SCMP report revealed that most of the wood pulp used in Xinjiang to make viscose and rayon came from Finland, the primary supplier, Finnish forestry products company Stora Enso, in a move that surprised those in the industry, said it would stop producing wood pulp and exit the market.

A Stora Enso spokesman said only that, while they were deeply concerned about reports from the region, they had regularly visited the factories in question and had never seen indications of forced labour. The company said that it already had plans last year to spin off its soluble pulp segment for viscose production and that it would not affect their staff levels or have a material impact on their financial results. It's interesting to note that even as they executed their departure, they still remained relatively silent.

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CHAPTER 7

Effective Ways to Avoid Problems

Now, here are some ways to avoid PR problems in the first place. Some may seem obvious. You may think your company is doing some or all of these things already, but is it?

Tactic 1:

Do your research and watch the news.

Not just your local or national news but news from around the world. Talk to local people you trust who have expertise about touchy topics. Make sure you have staff in place with good judgement who stay very current about key issues in China. Some issues remain stable over time while others pop up suddenly or can change rapidly. And the pace in China is fast. Everyone needs to be able to adjust and

change on the fly based on the issue of the moment.

Tactic 2:

Avoid a copy and paste approach to marketing from your home market.

Broad visions can often be kept but need to be filtered through a local lens to truly capture imaginations while avoiding pitfalls. Tap into local sensibilities to make sure there's nothing in a design, brand name or translation from your home market that could offend.

Tactic 3:

Make sure all employees are aware of your company's code of conduct, values and social media policies.

During your onboarding process and at regular intervals after that, employees should be made clearly aware of all policies and guidelines around expected standards of behavior both in person and online, while at work and while off duty. This includes how you expect people to approach issues like natural disasters, local and global emergency situations and the consequences for breaching these policies. Keep an eye on your staff and listen to fellow employees who report issues.

If an employee goes rogue and makes offensive statements, stay on top of things and react prompt-

ly. Don't wait. Act swiftly and communicate in Chinese and English on multiple public channels to show your seriousness and sincerity. In a market and society that moves as fast as China's, people are less understanding of a slow pace. And make sure you understand the pace. Your country's fast might be China's slow.

Tactic 4:

In hard times, focus on supporting not selling.

If you don't already have local social responsibility efforts underway, start now. Ask yourself how you can support customers in their time of need. Customers need to know that they're valued as people, not just as consumers or sources of profit. Make donations to organizations that make a positive difference and that you can be sure will use the donations well. If you can donate your skills or services for free, do that too.

Tactic 5:

Those who are fastest to shift can benefit greatly.

This can mean anything from highlighting the hygienic properties of your latest product to designing a new item or service to serve a sudden need. Find out what people need now and target them with products that serve them. Quickly design and create quality products to help people with their urgent issues. Emphasize your brand's safety, stability, histo-

ry and reliability.

Tactic 6:

Use sensitivity in all marketing efforts and showcase best practices.

For example, during times of increased restrictions to prevent the spread of Covid-19, avoid ads showing people hugging, shaking hands, travelling to foreign destinations, or other activities that might be currently restricted. If mask-wearing is mandated, feature actors or models wearing masks.

On top of that, use data tools and AI to help ensure sensitive ad placements. If you have a TV ad featuring scenes of people swimming underwater, it would be best not to show these in an area where there has recently been devastating flooding. Keep local conditions and contexts in mind.

Tactic 7:

Stay ahead of the curve and keep customers informed. Focus on your most loyal customers and clients first.

Keep them up to date and make sure they see you working hard and know what you're doing on multiple channels. For example, if your company is having logistics issues due to a breakdown in global supply chains, let your customers know your situation, let them know what you're doing to fix things and apologize for letting them down. Keep them

updated as the situation changes.

If there are two key ingredients in all of these tactics, they are awareness and speed. Be aware of local conditions, taboos, issues and regulations and act fast. Speed isn't easy and can mean creating a new campaign in record time after rapidly changing conditions render it inappropriate, but that swift action can save your brand reputation in countless ways and won't go unappreciated.

If your brand needs an updated strategy for China, we have the experience you need and know how to do the detailed research to determine the best approaches and tactics for your brand. Find out more at <https://alarice.com.hk/marketing-research-and-strategy/> or email us at natalia@alarice.com.hk for more information.

CHAPTER 8

How to do Damage Control

So, you did your best, but things still blew up in your face. It can happen. What now?

For Serious Issues

If it's a political issue that has little to do with the brand and is beyond the brand's control, stay as silent as possible, work around it and wait it out.

For other matters related directly to the brand and its actions, It's time to apologize and take disciplinary action. In two languages.

Step 1: Craft your apology.

Pinpoint what you did wrong. Admit to it clearly and say sorry. If necessary, outline the steps you will take moving forward to make sure it doesn't happen again.

If an employee has been dismissed due to inappropriate behavior or for displaying values at odds with the company's, make this clear and distance yourself from the employee's actions.

Step 2: Make two versions, one in Chinese and one in English.

You may want another in your company's native language if it's not English.

Step 3: Publish.

Publish the Chinese apology on your official website and the most prominent social media accounts in China and publish the English apology on your website and big social media accounts outside of China. You may want to publish another in a third language. Publishing it inside and outside of China demonstrates that you are sincere in your efforts and not trying to sweep things under the rug or hide your actions from a global audience.

Step 4: Communicate internally.

Make sure that the incident is explained to internal staff and that any new policies to avoid further incidents are communicated clearly.

Step 5: (Optional) Go the extra mile.

If possible and if it makes sense, at your next public event, show your sincerity and that you're putting

the lessons you've learned into practice. This can be done symbolically by doing something to show an awareness of Chinese culture and customs or can be more overt.

Here are some examples. These translated apologies below were printed by Quartz in August, 2019.

Versace

After selling a T-shirt that used outdated information for Macau and Hong Kong, the brand published the following apology in Chinese on Weibo:

"In recent days Versace has seen widespread discussion of one of our t-shirts. We would like to express our deepest apologies for this incident. Our design incorrectly labeled the country names for some cities... This is our company's mistake and we express our deepest apologies for any harm it may have caused. Versace affirms that we love China and resolutely respect the sovereignty of its territory."

Delta

After the American airline listed Taiwan and Tibet as separate countries on its website, it published the following:

"It was an inadvertent error with no business or political intention, and we apologize deeply for the

mistake. As one of our most important markets, we are fully committed to China and to our Chinese customers.”

Zara

After its website listed Taiwan as a country, Zara opted for this brief statement:

“Our company’s ‘JOIN LIFE’ collection website incorrectly referred to Taiwan as a ‘country.’ We express our sincerest apologies for this.”

The apology’s length and depth should match the type and size of the controversy it has caused. Few brands go to the lengths Dior did when, on top of its apologies and other PR management, it chose to play vintage patriotic songs at the Shanghai fashion show that was scheduled soon after its PR incident blew up.

You may also need to take disciplinary action. For serious breaches of ethics, international incidents or inflammatory language, you will likely need to terminate the person responsible. In the case of a brand ambassador, you’ll have to cease co-operation with the person involved and make this clear in an announcement.

For other incidents, you may want to suspend a

staff member for a time, rotate them away from client-facing roles or transfer them to work in another market. Make sure all your staff are educated about the topic and adequately trained so as to avoid further incidents.

For Less Serious Issues

When you're dealing with more straightforward marketing fails, or when cancel/outrage culture rears its head, **consider taking back control and steering the conversation while showing your sense of humour by making fun of yourself.** There might already be a lot of chatter online taking shots at your brand, or another brand. Join in with a sense of fun.

Here's an example from the West.

The Peloton Wife and Aviation Gin

This example doesn't involve China, but it's a great example of a brand that steered a minor PR fail in the right direction.

In early December, 2019, an ad for the internet-connected exercise bike Peloton went viral. The expensive stationary bike has a TV screen in front of the handlebars. A subscription fee is paid for cycling classes that are livestreamed on the TV screen.

In the ad, a very slim, beautiful woman gets the bike

as a Christmas gift from her boyfriend and documents her fitness journey on her mobile phone. Because she was already so slim and the Christmas “gift” was from her boyfriend, many slammed the ad as sexist, out of touch and unhealthy. Not only was the gift seen as rude and inappropriate, it also seemed like the boyfriend was pressuring this already slim woman to lose weight. A backlash commenced online with memes, jokes, parodies and plenty of criticism. The actress featured in the ad, Monica Ruiz, who was an innocent bystander in the process, mostly stayed quiet on the issue. Peloton’s stock plummeted.

Canadian actor Ryan Reynolds, who’s one of the owners of Aviation Gin, saw an opportunity. He hired Ruiz to star in an ad for his brand featuring her at a bar with two of her female friends. She stares into the camera in a bit of a daze, then after they toast to new beginnings, her two friends take a sip of what appear to be freshly made martinis, while she drinks all of hers and comments on how smooth the gin is. Her friends reassure her and tell her she looks great.

The ad brilliantly captured the attention and audience that the Peloton ad fail had generated and turned it in a positive, funny and lucrative direction. The ad team also managed to do it without saying

anything negative about Peloton or creating any more conflict.

In an interview, Reynolds said, “We love acknowledging and playing with the cultural landscape and we thought this was a great opportunity to do something that, you know, you see how everything is so divisive these days. It’s like one camp here, one campe there. But we had this thought that we could do this ad without contributing to that divide, without vilifying anybody just commenting on the person and the actress in the ad all at once.”

Peloton recovered from the belly flop and, because so many people were looking for exercise options during the pandemic, sales spiked 172% as of December 2020.

Xiaomi Makes Lemons Out of Lemonade

In 2015, Xiaomi co-founder and CEO, Lei Jun took the stage in New Delhi as Xiaomi launched one of its first products for the international market. This was his first time speaking English at a launch event. It’s likely that he chose to do this to better communicate with an Indian audience and so he could talk to the audience directly rather than through an interpreter.

Given that his language skills were very basic, this was a brave choice. He approached the venture

with gusto and good humor and laughed with the audience as, early in his speech, he had to correct himself quickly after he mistakenly said that he was very happy to be in China. He gamely kept going and delivered his announcement that everyone in the audience would receive a Mi Band, the brand's version of a Fitbit, in clear but sometimes broken English, to loud cheers from the audience. Throughout the speech, he loudly repeated the phrase "Are you OK?" several times, seeming to mean "Are you excited?"

Even though his English wasn't accurate, he was well received for a few reasons. Not only were they all Mi fans, happy to have the company's CEO on stage in front of them and grateful for a free gift, the audience was made up largely of English second-language speakers who understood the difficulties of learning a new language. They seemed to appreciate Lei Jun's effort and willingness to make mistakes just to communicate with them personally. The brand is hugely popular in India.

Although a minority seemed to view the speech as a PR fail, it was embraced by Mi fans and the internet at large when it was remixed and autotuned to go with a cheery, hummable tune. There was even a second remix done with a patriotic Chinese folk tune. It went viral and became a hit on blogs, industry news sites and social media, spreading the Xiao-

mi brand name and some joy right along with it.

Brand and product naming in another language and culture can be tricky. If you're entering the China market and want a name that works well in Chinese, check out our Chinese naming services or email us at natalia@alarice.com.hk. Let us help you make a great first impression.

<https://alarice.com.hk/chinese-brand-and-product-naming-services>

Conclusion

Well, there you have it. PR fails and feats. The key issues should be clear and steps to avoid issues are straightforward but require sensitivity to national and local political issues, current events and cultural sore points. Delve into both and consult with local staff to spot any potential issues before things become public.

Despite your best efforts, things may still go wrong and things change very quickly in Asia and in China. Between a photo shoot and a campaign launch, everything can change. Such is life. You'll need to stay on top of things and put out those fires from time to time. Apologize clearly, sincerely and publicly and try to make up for any mistakes that you made quickly. Then move on with greater awareness. It just takes effort.

Are you ready?

Great.

Now, let's go get them!

Resources

A Step by Step Checklist

Step 1:

Eliminate problematic images and topics as much as possible. In particular, avoid images of maps and flags. If you must use images of them, use ones that conform to China's map guidelines and regulations.

Coordinate city, region and country lists to match the formats preferred in China where necessary.

Step 2:

Do your due diligence and stay up to date on the latest trends, controversies, touchy issues, news and regulations. It's best to work with marketing agencies with experience in the region. If you want to do the work without an agency, it's still crucial to employ trusted staff and advisors on the ground in

China who can help you create your material with sensitivity and give you reliable feedback.

Step 3:

Formulate organizational policies and guidelines to clarify what is expected of employees while at work and while off duty as representatives of the company. This should include what is expected in any public social media communications and what tone and approach are expected in cases of natural disasters, unrest or emergency situations. These policies should be made clear when people are hired with regular reminders thereafter.

Step 4:

For any large-scale projects that require international co-operation, begin planning, understanding the relevant regulations and completing the necessary paperwork well in advance. Do not expect to be fast-tracked or to be given special treatment simply because your company is well-known or high profile.

Step 5:

Test out images, video, text etc. during and after campaign development to get reactions and feedback from a cross-section of people in your target market from a range of backgrounds. Listen to your local teams. Be willing to make adjustments as you go.

Step 6:

If circumstances change while you're in the planning or execution phase, and in China, things change quickly and often, be prepared to delay, rework or even throw out all your hard work and start over. Yes, it's not fair but if you insist on pushing through with what you've got, there's a high chance that you'll pay an even higher price down the road. Don't risk it.

Step 7:

Above all, remember that despite your best efforts, mistakes will happen from time to time. Brands miss the mark in their own cultures from time to time so it's bound to happen when working cross-culturally. However, if you're aware, flexible, and ready to tackle the issues at hand, you have every chance of success.

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10F, Iuki Tower,
5 O'Brien Road,
Wan Chai
Hong Kong

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Public relations. Advertising. Promotions. Done well, they spread your brand's name far and wide, improve your reputation, create a positive buzz, get attention and, ideally, increases sales. Done poorly or when circumstances work against us, they can be a disaster. In this book you'll learn:

- **How to avoid the most common PR disasters in China**
- **What to do if things go wrong despite your best efforts**
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Ashley Dudarenok is a serial entrepreneur, global keynote speaker, 3-times bestselling author, vlogger and podcaster.

As a marketer and social media agency head with more than twelve years of professional experience in Greater China, she's seen the transformation of China's online world firsthand.

Her specialties are China market entry, Chinese consumers and New Retail.

