When compliance isn’t enough: Protecting your brand from negative public perception

AUTHOR

► Maryann Sanders
ACTION REPORT

Take action: Get ahead of compliance & public outcry to maintain a positive brand reputation

In today’s hyper-connected world, brand-damaging news stories can make it around the globe in mere moments. Because every part of business is connected through its value chain, non-compliance and public outcry may have negative implications across the entire organization, including product development, supply chain and manufacturing. Any news of regulation non-compliance or public dissatisfaction with a product or company can cost more than money—it can damage or destroy a well-earned brand reputation.

How the rise of “shared” news created risk

Today, 62 percent of adults in the United States get their news from social media (Litcherman, 2016). The more people rely on others and social media for “news,” the more corporations will see public outcry about compliance controversies that are overstated, false, fabricated or simply misconstrued. Because so many people jump on the groupthink bandwagon, health and safety professionals must think beyond standard compliance and pay close attention to public perception.

“OFFICIAL” SOURCES CAN BE SEEN AS SUSPECT

Consumers so entrench themselves in each other’s daily opinions and experiences that they now trust information that comes from each other more than data from companies, government agencies and other organizations. In fact, 92 percent of consumers trust word of mouth more than they do any form of corporate communication (Nielsen, 2014).

Decades ago, 95% of a corporation’s value was tangible assets. Now, 75% of a corporation’s value is intangible. That intangible value is brand reputation.

Tangible = machinery, land, inventory
Intangible = patents, trademarks, copyrights

Today, brand reputation is closely tied to brand profits.

(Bringham & Linssen, 2010)
Health and safety professionals must recognize that once a brand is vilified on social media for even perceived compliance failures, it’s hard for it to come back.

BATTLING GUILT BY ASSOCIATION

While backlash for one company can drive up business for another if it involves a product with limited sales options, that is not always the case. Companies that make the same products are often perceived as being in the same “club,” making even the most compliant company guilty by association.

For example, take a look at water bottles. Individual polyethylene (PET) water bottles rapidly took off in the late 1980s. Once major soft drink companies Coca-Cola and Pepsi started selling their own bottled water, the industry exploded (Fishman, 2016). The bottled water industry gave consumers everything they wanted: convenience and “clean” water. With marketing in full swing, the industry kept growing and growing, and, even today, people around the world are still consuming water in PET bottles at a strikingly high rate. In 2015 alone, 1.7 billion bottles of water were used every week (Fishman, 2016).

With a recycling rate of about 30 percent, disposable plastic bottles became an environmental issue (ACC & APR, 2014). Spurred by media messages and images of bottles polluting oceans, everyone from environmental activist groups to green-minded individuals started campaigning for and using reusable plastic water bottles, like Tervis and Nalgene.

News of studies about the hazards of Bisphenol A (BPA), a synthetic chemical used to produce plastics since the 1950s, started making the media rounds in the late 1990s. By 2008, many consumers believed their reusable plastic water bottles posed a potential danger due to BPA (Vogel, 2009). News about studies that showed that even a “very-low-dose exposure” to BPA could be associated with many
negative health effects, from different types of cancer to reproductive issues, gained traction. Canada even took steps to label BPA as “toxic” in 2010 (Austen, 2010). While the U.S. Food and Drug Administration (FDA) maintained BPA was safe at certain levels, and while brands like Tervis and Nalgene stopped producing products with BPA, too many consumers were already convinced and had switched to using different reusable water containers, like stainless steel or aluminum.

However, it was not long before groups on social media jumped on studies that showed many aluminum and stainless steel water bottles also had a BPA problem in their epoxy-resin lining (Cooper, Kendig & Belcher, 2011). Many consumers then felt they had to find a new reusable water bottle option because several—but not all—brands had the BPA-leaching lining. In the face of so many safety factors with disposable and reusable water bottles, many consumers have returned to an old favorite: reusable—and recyclable—glass water bottles.

How the media turned BPA into a marketing tool

One example of a product or substance being convicted by media and public opinion despite equivocal data having regulatory approval is BPA (Bisphenol A). BPA has its own social media hashtags and continues to draw ire from activists around the world. Years ago, scientific research produced results showing that the risk of dietary exposure to BPA was insignificant (Howe & Borodinsky, 1998). And, even as evidence suggests that BPA-free products can be more “harmful” than BPA, fears about BPA persist (Blake, 2014). While recognizing that the FDA found BPA safe in certain levels, recommendations to avoid it also persist (Bauer, 2016).

When it comes to harmful activity on Twitter and Facebook, it’s hard to compete with BPA. There are Facebook pages dedicated to “banning” the substance regardless of application. Despite U.S. Food and Drug Administration (FDA) studies showing that the levels of BPA in packaging were not harmful, the public was already convinced. Before long, products boasting “No BPA” started showing up on shelves, with companies more than eager to promote the fact that their products did not include BPA.

Completely accurate information surrounding BPA has little chance of being understood. Meanwhile, customers will continue to have a false sense of security about many consumer products that boast the exclusion of BPA. Too few consumers will stop to investigate the possible damage that can be done by products with a BPA alternative.
**BATTING MEDIA ACTIVISTS**

Nearly one in three consumers in the United States say that social media influences their purchases.

In 2011, Johnson & Johnson was taking the brunt end of an online activist attack when the Campaign for Safe Cosmetics started a movement to get the brand to remove certain chemicals from its baby shampoo (NBC News, 2011). The activist group used social media, online marketing and traditional media to get the word out, and the tactics worked. Johnson & Johnson shouldered even more bad press about its product ingredients, and eventually changed the formulation of the shampoo to meet public demand. Changing the shampoo’s formulation was a long, complicated process that took years and affected every aspect of the company’s value chain, from the product development cycle and manufacturing to marketing and business partnerships. Even though they still stood behind their baby shampoo formula, Johnson & Johnson’s executives said they were responding to a “fundamental shift in consumer behavior, as an increasingly informed public demands that companies be more responsive to their concerns” (Thomas, 2014).

It is impossible to dismiss the effects of social media activism on corporate brands. Because of social media, a brand controlling its own narrative has become more and more difficult. The only real way to deal with a social media firestorm is to avoid it in the first place.

**Be proactive to protect the brand**

To avoid fast-traveling news of compliance violations—not to mention being tried and convicted in the court of public opinion—health and safety professionals can take proactive steps to protect a brand’s reputation.

**GET A BASELINE WITH A RISK-BASED AUDIT**

For a corporation to know where it stands when it comes to risk, an audit is a must. Without a true understanding of risk exposure, it is impossible to create proactive plans and make the right strategic business decisions that will protect the brand.

**PERFORM A REGULATORY COMPLIANCE ASSESSMENT**

Regulatory compliance is usually tied to a fixed budget that does not include the fallout of facing public relations nightmares or marketing opportunities. However, non-compliance can lead to a public relations nightmare that can damage an enterprise brand for good. In the past decade, companies have seen an increase in new global regulations and rules, as well as extensive changes to existing regulations. In the U.S., the passage of the Lautenberg Chemical Safety Act of 2016 created a landscape of uncertainty associated with rules and regulations affecting both new and existing chemicals (Sachs, 2016). Rules and updates may come from multiple agencies and span global geographies, increasing a corporation’s vulnerability to compliance risk that affects the entire value chain. Therefore, today, it is complicated to

**Lumber Liquidators: How non-compliance can damage a brand**

Lumber Liquidators found out how a brand can be nearly destroyed after the U.S. Consumer Product Safety Commission (CPSC) started an investigation sparked by a news story on “60 Minutes” in March 2015. The story revealed that floor laminate wood Lumber Liquidators were importing from China had levels of formaldehyde that were higher than what federal regulations allow (CBS News, 2015).

More than a year later, a federal safety review revealed that the flooring gave off enough formaldehyde to irritate the eyes, nose and throat. They also found that there was sufficient gas from the product to trigger breathing problems in people with certain health conditions, like asthma. Additionally, while the original report noted that the levels of formaldehyde could cause a small increase in the risk of cancer, a later report from the Centers for Disease Control (CDC) found that the risk was higher than they first thought (Bomey, 2016).

While the leaders at Lumber Liquidators defended their product and had issues with and questions about the testing methods used by the CPSC, the damage was done (White, 2016). Lumber Liquidators was already maligned all over social media; their sales dropped, and their stocks plummeted. Now, Lumber Liquidators is under a microscope, the target of more and more criticism. History will show whether the Lumber Liquidators brand will make it through this storm.
stay up to date with product regulatory compliance, which is why businesses need to pay close attention to upcoming regulations while keeping a watchful eye on current practices to ensure there are no non-compliance vulnerabilities around the corner.

While performing a compliance assessment can be time-consuming, it gives organizations an idea of where they stand with upcoming regulations from a legal, financial and business impact, and how the brand’s reputation will be affected.

Companies should start a risk assessment using the data they already have. Any analytical data, composition information, supplier conformance declarations, audit results, etc., will help to form a baseline and frame the risk assessment.

LOOK BEYOND COMPLIANCE TO AVOID PUBLIC SURPRISES

Being fined by a regulatory agency is expensive and frustrating, especially when an organization feels it has more than complied with regulations and is being wrongly singled out. But having a brand suddenly maligned on social media about something that was not on a company’s radar can be bewildering, cause permanent damage, and be monumentally costly.

Negative groupthink trends in the media seem to pop up overnight, but in retrospect, the damage can often be avoided.

Tips for a successful regulatory compliance assessment

• Keep it simple. Use plain language so that messages are clear and easy for everyone to understand.

• Get input from everyone. Leave no stone unturned and reveal vulnerabilities by talking to every department across the corporation.

• Make it actionable. An assessment is worthless if it cannot prioritize risk to provide a framework for an action plan.

• Repeat the assessment. A regulatory compliance assessment is a living, breathing thing that needs to be routinely repeated to reveal new holes and vulnerabilities.

• Ask for outside help. The best way to get a hard, honest look at a company’s compliance risk is by partnering with independent industry experts to audit efforts and evaluate the assessment.
It takes expertise to find the nuances and little rumbles that might turn into thunderstorms later. Keep a proactive eye out for opinion polls, trending social media hashtags, and consumer watchdog blogs. Track, monitor, and adjust business strategy to protect a brand’s reputation.

**START WITH A BRAND’S WORST NIGHTMARE**

Ask senior-level management at any company what their worst public relations nightmare is, and the answers will likely vary. First, stakeholders need to agree on what is most threatening to the company’s reputation and/or brand(s), and then make a prioritized plan for all worst-case scenarios. Once the “what if” questions start, it’s easy to see the number of ways brands can be in danger in today’s instant media world. After a company has a list of the top-priority scenarios, it needs to devise a ready-to-launch triage plan to lessen damaging social media accusations—even if they are not true (Brigham & Linssen, 2010).

**STAY AHEAD OF THE GAME**

Social media and mainstream media have so many crossovers it’s difficult to tell where one ends and the other begins. **Today, social media is media.** And to stay ahead of any potential negative media coverage, organizations must determine which business segment has the most potential and risk. **Business leaders and product stewards need to ask the tough questions and prepare to deal with honest answers to get any forward-thinking idea of industry trends.**

**HOW MILLENNIALS VIEW ETHICS, AND HOW THAT AFFECTS A BRAND**

Sometimes when an organization asks those tough, honest questions, the answers reveal ethical issues that were either under the radar or just plain ignored because nobody had noticed yet. This head-in-the-sand attitude can destroy a brand. **Turning ethics from being a “have-to-do” task to becoming part of a corporate culture should not just be something an enterprise does to stay out of trouble; it can improve a brand’s image, production, innovation and bottom line** (Horton, 2015). As a matter of fact, companies courting the millennial market are learning quickly that the new “it” generation stays loyal to brands they feel are doing good (Howe, 2015). Despite a fragile economic outlook, millennials are willing to pay more for a product from a brand that they feel reflects their own morals and ethics. These days, it pays to invest in ethics in many ways.

One of the easiest ways for a brand to avoid a social media nightmare is to pay very close attention to its customers, its detractors, and non-profit activist groups. People use the internet and media to galvanize forces behind just about any perceived evil—and one internet meme could be the thread that unravels a brand’s long and hard-earned good reputation. Product stewards need to monitor, document, discuss, and start charting trends to project and get ahead of them. **It is important to stay ahead of—or get ahead of—targeted processes, products and ingredients the moment there is a whisper they are falling out of favor. For many operations, this simply means documenting what they are already doing. Additionally, organizations must keep vigilantly innovating and looking for better ways to do business.**

**ACCENTUATE THE POSITIVE**

Organizations can use social media as a tool to get a brand’s feel-good stories to the masses. Consumers today, especially millennials, are very brand loyal. They like to align themselves with brands that share their values. If organizations are already taking steps above and beyond something like environmental regulation compliance, they need to promote it or simply be transparent and make available the data supporting a product’s environmental stewardship and safety to both regulatory agencies and the public. **When today’s consumers feel that a brand is upholding values they believe are important, they are more likely to stay loyal to that brand and listen to its voice.**

**TURN A NEGATIVE INTO A POSITIVE**

Once a company starts hearing negative media rumblings about an ingredient in one of its products, decision-makers need to assess the risk and take steps to protect the brand as much as possible. If brand leaders decide that,
for instance, replacing a potentially offensive ingredient is the only choice, they need to keep being transparent and communicate that products will no longer contain that ingredient. These steps can put a brand ahead of future regulations banning an ingredient, and make the brand the “face” of product safety for being the first adopter of eliminating an ingredient. The public being assured that a brand is “safe” is the best thing a company can be to today’s consumers.

Find experts to help with compliance and beyond

The road to securing a brand’s image can be seemingly impossible to navigate. Non-compliance and public outcry can cause a negative effect not only in a company’s own manufacturing process, but across the entire value chain—including the supply chain. Looking for trends, keeping up with industry news and being aware of new or updated regulations are just the tip of the iceberg. Today’s media-charged world has organizations turning to trusted advisors when it comes to important aspects of business like security and compliance, keeping productivity moving, and meeting budgets. In this complex environment, organizations need an accurate look at every segment of the value chain, including product development, ingredients and formulations, the supply chain, and geographic and cultural mandates. With so many aspects to consider, it’s often difficult for company insiders to take an objective look at where their brand stands when it comes to compliance and avoiding negative publicity that can hurt a brand. To truly protect a brand, organizations need to be proactive rather than reactive, which often requires a different perspective on product compliance.

Why Haley & Aldrich

Haley & Aldrich has the experience and expertise to help organizations stay in regulatory compliance and out of the court of public opinion. Our experts look for trends to identify concerns before they get out of hand and can identify the positive things companies are doing right now that the public needs to know more about.

With the help of experts who have deep-seated industry experience, organizations can continue operations with the peace of mind that they have the support necessary to protect their brands.

To learn more about how we look beyond the obvious to help identify risk and protect the brand, contact me at: brand@haleyaldrich.com.

We look beyond the obvious to protect your people, operations, and reputation in a changing world.

About the Author

Maryann Sanders

Maryann Sanders is a Senior Regulatory Compliance Specialist at Haley & Aldrich. She leverages her expertise in human health toxicology, industrial hygiene, microbiology and regulatory affairs to develop product stewardship programs for global companies. She works with her clients to help them comply with U.S., European and Pan-Asian regulations.

haleyaldrich.com
RESOURCES


