COMMUNICATION STRATEGIES OF THE CHINESE DAIRY INDUSTRY MANUFACTURERS TO REBUILD REPUTATION AND MAINTAIN A QUALITY RELATIONSHIP

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After the Sanlu tainted milk powder crisis in China in 2008, the entire powdered milk manufacturing industry, and in many ways the food industry as a whole, faced a crisis of reputation and consumer confidence. Through a study of the organisation and public relationships of dairy companies, the crisis communication strategies they used, and how they cultivated relationships, this paper explores how companies within the milk industry rebuilt their reputations to a point where customers and other key elements of the public once again felt confident about their products. This study explores the organisation-public relationships (OPRs) cultivation strategies of the dairy companies and the communication strategies they used to rebuild the industry’s reputation after the Sanlu crisis. The author interviewed dairy company personnel and consumers in China (N=18) and conducted secondary document research. The communication strategies that dairy companies used to maintain their relationship with the public are analysed. This study develops the theory of relationship management and provides suggestions for other companies to utilise should they face an industry crisis in the future. The cultivation strategies the dairy companies use to maintain their relationship with the public is hard to separate from communication strategy employed after the crisis.

Keywords: Organisation-Public Relationships; Crisis Communication; Dairy industry; Sanlu; China; Relationship management

INTRODUCTION

After the Sanlu (三聚 ) tainted milk powder crisis in China in 2008, the entire powdered milk manufacturing industry, and in many ways the food industry as a whole, faced a crisis of reputation and consumer confidence. After the Sanlu crisis, the author ex-
explores how the companies within the milk industry rebuilt their reputations to a point where customers and other key elements of the public once again felt confident about their products, through a study of the organisation and public relationships of the dairy companies and by examining the crisis communication strategies that they used and how they cultivated those relationships.

According to J. Grunig's speech (2001), the 'public' here "consist of social groups who respond to the consequences that organisations have on them and in turn try to participate in management decision in ways that serve their interests." Examining the OPRs assists an analysis of the communication strategies employed by the dairy companies after the crisis. Dairy companies use international authorisation and special advertising campaigns and strategies to promote their product and build reputation. Social media, point of purchase (POP) communication and interpersonal communication are effective tools for the dairy companies, which use a differentiation strategy wherein ethical principles are essential.

**Case History of Sanlu's Crisis**

"Sanlu" once was one of China's biggest and most prestigious dairy brands (a New Zealand dairy cooperative, Fonterra, used to share part of its stake). China Central Television (CCTV) had broadcast many advertisements and programs to show the 'good' quality of its products. After the summer of 2007, the Sanlu Group began to hear reports from customers that their babies had been stricken by illness after consuming its infant milk powder. In June 2008, the General Administration of Quality Supervision, Inspection and Quarantine of P.R.C. (AQSIQ) received customer complaints about Sanlu. Actually, Sanlu had already gotten the reports and know its products were infected by melamine, but they keep it secret. On 8 September 2008, the first newspaper report emerged, stating that Sanlu baby milk powder was contaminated with melamine and that many babies were poisoned and specifically, that the milk caused kidney stones. On 11 September 2008, Sanlu denied to the media that its products had any problem. Later that day, the Chinese Health Ministry said it was investigating the Sanlu case and confirmed that the company's products contained melamine. That same evening, the pressure of these statements forced Sanlu Group Co. to confess the truth and to recall all products produced before 6 August.

A large majority of customers returned their products to the producers and supermarkets. Several executives were arrested - including the general manager of Sanlu, Tian Wenhua - and the people who put the melamine into the milk before it was sold to Sanlu. At the end of 2008 the Sanlu Group Co. was shut down. The reason the suppliers put melamine into the milk was apparently to increase the protein content, which could make dairy companies more likely to buy their milk. The Chinese government and World Health Organisation took this situation very seriously. The State Council of Information of PRC held a press conference regarding the crisis. On 22 September 2008, AQSIQ Director Li Changjiang resigned. The mayor of Shijiazhuang city, where the Sanlu group is based, was sacked. Sanyuan Dairy Group Co. bought the equipment, rented the workshop, and hired the former Sanlu employees. In this crisis, contaminated infant milk powder made thousands of babies sick, and caused the hospitalisation of 12,892 babies and the deaths of four babies. The Chinese government began to check all dairy products and found 64 contaminated brands, including Mengniu and Yili, the leading Chinese dairy giants. As Sanlu used to be a test-free product, AQSIQ announced that food products would no longer be free from inspection and that more inspection programs and centers would be founded. The police confiscated the suspected poisonous chemicals.

**Theoretical Framework**
This paper tries to analyse the OPRs in order to explore the communication strategies employed after the Sanlu crisis. This section will first conceptualise the cultivation strategies of OPRs and then explore crisis communication strategies and reputation management. The relationship of the concepts will also be discussed in terms of conceptualisation.

**Organisation-Public Relationships**

J. Grunig (2001) pointed out that public relations function within the *social* environment of organisations rather than the economic environment. Stakeholders of the dairy company in this paper are the 'public' in the social environment of OPRs. Stakeholders are "any group or individual who can affect, or is affected by the achievement of a corporation's purpose" (Freeman, 1984: vi). According to Gronstedt (1996), stakeholders can be divided into ten categories which this research supports: "government, financial stakeholders, media, scholars and industry opinions, employees, interest groups, communities, distributors, suppliers, and trade and professional organisations and competitors" (p. 292).

After clarifying the concept of 'public' of OPR, the definition of OPR needs to be discussed and clarified in order to build the theoretical framework of this research. Huang (2008) summarised that OPR could be seen as: subjective reality (Duck, 1973, 1986), objective reality (Katz and Kahn, 1967; Miller 1978; Laumann, Galashiewcz, and Marsden, 1978; Van de Ven, 1976; Van de Ven & Walker, 1984; Oliver, 1990; Klier, 1991; Broom, Casey, and Ritchey, 2000), combination of subjective and objective reality (Huston and Robin, 1982; Gerso and Carter, 1985, 1994; Millar and Roger, 1987; Hinde, 1988; Surra and Ridley, 1991; Cappella, 1991; Anderson, 1993; Sexton and Whiston, 1994; Kerns, 1994). Besides these conceptual definitions, scholars have given OPR an operational definition by describing its state which this paper used. Hung (2005, p.396) defines organisation-public relationships: "OPRs arise when organisations and their strategic publics are interdependent, and this interdependence results in consequences to each other that organisations need to manage constantly." This definition gives the reader a detailed description of what OPR is; this holistic scope matches my research. This definition is the foundation of this research.

**Organisation-Public Relationships Cultivation Strategies**

Based on the literature of 'maintenance' strategies (e.g., Dindia & Canary, 1993), Grunig suggested using the word 'cultivate' instead of 'maintenance' (Hung, 2007). The relationship types could determine the use of cultivation strategy (Hung, 2007). Figure 1. shows the relationship cultivation strategies in the literature. Hon and Grunig (1999) and Grunig and Huang (2000) conceptualised seven symmetrical relationship cultivation strategies from public to organisations as follows: access\(^1\) positivity\(^2\), openness or disclosure,\(^3\) assurances of legitimacy, networking,\(^4\) sharing of tasks,\(^5\) some dual concern strategies of the public, and organisation. Nowman (1995) identified another three symmetrical strategies: cooperative, being unconditionally constructive, and stipulating win-win or no deal. Hung (2002) identified promise-keeping strategies after researching multinational companies in Taiwan. Cooperative strategies, assurances of legitimacy and access are used mostly in exchange relationships (Plowman, 2007). Being unconditionally constructive means the organisation should do whatever is necessary for the relationship (Hung, 2003), which could be used in the covenantal/win-win relationship. Stipulating win-win or no deal, cooperative, and unconditionally constructive are also negotiation tactics added to the conflict model for public relations by Plowman (1995). The author finds that some parts the crisis communication strategies overlap with relationship cultivation strategies.

Asymmetrical strategies (used mostly in exploitative, manipulative and symbiotic relationships) include: contending (organisation tries to persuade the public); avoiding; accom-
modating (which also is a crisis communication approach when an apology is made) (Lerbinger, 1997); compromising (used when neither the organisation nor the public are totally satisfied); and distributive (Hung, 2002, 2003, 2007). Some dual concern strategies are asymmetrical, as they pay much more attention to the organisation's interest than the other but, according to Plowman (2007), two-way symmetrical communication also can include elements of compromise and accommodation. This paper does not participate in the argument regarding symmetrical or asymmetrical but focuses on the usage of the strategies. Hung (2004) also contributed family orientation, guan-xi and relational orientation to the factors that could influence the multinational companies' relationship cultivation strategies in Chinese culture.

Table 1: Relationship Cultivation Strategies

<table>
<thead>
<tr>
<th>Symmetrical</th>
<th>Asymmetrical</th>
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<tbody>
<tr>
<td>access</td>
<td>Hon &amp; Grunig (1999);</td>
</tr>
<tr>
<td>positivity</td>
<td>Grunig &amp; Huang (2000)</td>
</tr>
<tr>
<td>openness or disclosure</td>
<td>accommodating</td>
</tr>
<tr>
<td>assurances of legitimacy</td>
<td>compromising</td>
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<tr>
<td>networking</td>
<td>distributive</td>
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<tr>
<td>sharing of tasks</td>
<td>Some dual concern strategies are asymmetrical</td>
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<td>some dual concern strategies</td>
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<tr>
<td>cooperative</td>
<td>Nowman (1995)</td>
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<tr>
<td>being unconditionally constructive</td>
<td></td>
</tr>
<tr>
<td>stipulating win-win or no deal</td>
<td>Hung (2002)</td>
</tr>
<tr>
<td>promise-keeping</td>
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</table>

Reputation is the overall evaluation of a company by the people (Dowling, 2004). This definition is congruent with other scholars' definitions of reputation as a cognitive representation (Yang and Grunig, 2005; Bromley, 1993; Fombrun and Rindova, 1996). According to the relationship principles of crisis communication (Grunig, 2001), a good and long-term relationship could help an organisation withstand a crisis. Therefore it is necessary to explore crisis communication strategies. Based on previous studies of crisis response strategies (Benoit, 1995, 1997; Brad and Garrett, 1995; Coombs, 1995; Coombs and Schmidt, 2000; Ray, 1999; Sturges, 1995; Allen and Caillouet, 1994; Huang, Lin, and Su, 2005), ten crisis communication strategies are identified: (1) denial or nonexistence; (2) evasion of responsibility or excuse, and the sub-strategies include provocation, de-feasibility, and good intention; (3) justification: bolstering, minimization, and reframing; (2) and (3) are grouped as distance strategy in Coombs' study (1995); (4) concession: correction action and changing corporate public policy, and in Huang's study (2006), concession also includes admission and apology; (5) information providing; (6) diversion: showing regards/sympathy (without apology), building a new agenda, and differentiating which states (Huang, 2008); (7) ingrati-ation: praising others (Coombs, 1995, p. 452); (8) suffering: act as a victim which aims to gain sympathy (Coombs, 1995, p. 453); (9) mortification: remediation, rectification, and repentance; (10) reducing the offensiveness of the act. (1), (2), (4), (9), and (10) are Benoit's (1995) image restoration strategy to rebuild the reputation of the organisation. These strategies are summarised into three styles: response strategies as reactive, dynamic, and adaptive styles in some literature (Martinelli and Briggs, 1998).

The literature shows that bolstering (58.8 percent) and denial (56.9 percent) are the two most frequently employed crisis communication strategies. Full apology (71.4 percent) is the most effective strategy, while denial (13.8 percent) is the least effective (Kim, Avery,

Inspired by the literature, this study explores the OPR cultivation strategies and crisis communication strategies of dairy companies to build reputation, which I will conceptualise next. The literature review suggests the following research questions:

**RESEARCH QUESTION**

After the Sanlu crisis, what communication strategies were used to rebuild reputation and maintain a good relationship with the public?

**RESEARCH METHOD**

Because little information is known about the research question and, in the future, more and rich descriptions are needed, this study therefore interviewed the dairy industry and its key publics using an in-depth interview method. This study also used document research by examining the publications, television programs and some online documents (e.g. online videos and blogs relating to the crisis). This study interviewed the employees of dairy companies and the public by asking them to examine the existing eight OPR types, whether any new types of OPR existed in their daily operation, and what cultivation strategies they used. This study examined the crisis strategies they used to rebuild the reputation of the dairy industry in order to measure their effectiveness.

The contact procedure and access were conducted as follows. Firstly, emails were sent to request interviews with the large-scale dairy companies in China, however, no responses were received. Then this research used convenient sampling to conduct this study. The information for the eighteen interviewees' is as follows:

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Info</th>
<th>Gender</th>
</tr>
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<tbody>
<tr>
<td>1 employee1</td>
<td>quality inspector</td>
<td>F</td>
</tr>
<tr>
<td>2 employee2</td>
<td>marketing manager</td>
<td>F</td>
</tr>
<tr>
<td>3 employee3</td>
<td>quality and research</td>
<td>M</td>
</tr>
<tr>
<td>4 community member</td>
<td>of former Sanlu company</td>
<td>F</td>
</tr>
<tr>
<td>5 customer1</td>
<td>Beijing</td>
<td>F</td>
</tr>
<tr>
<td>6 customer2</td>
<td>Shenzhen</td>
<td>F</td>
</tr>
<tr>
<td>7 customer3</td>
<td>Guangzhou</td>
<td>F</td>
</tr>
<tr>
<td>8 customer4</td>
<td>Fujian</td>
<td>F</td>
</tr>
<tr>
<td>9 customer5</td>
<td>Gansu</td>
<td>M</td>
</tr>
<tr>
<td>10 customer6</td>
<td>Shijiazhuang</td>
<td>F</td>
</tr>
<tr>
<td>11 customer7</td>
<td>Jilin</td>
<td>F</td>
</tr>
<tr>
<td>12 customer8</td>
<td>Nanjing</td>
<td>F</td>
</tr>
<tr>
<td>13 customer9</td>
<td>Shanghai</td>
<td>F</td>
</tr>
<tr>
<td>14 customer10</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>15 financial analyst</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>16 public relations officer</td>
<td>used to serve for dairy company</td>
<td>M</td>
</tr>
<tr>
<td>17 advertising officer</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>18 journalist</td>
<td></td>
<td>M</td>
</tr>
</tbody>
</table>
The interviews lasted from ten minutes to three hours, depending on whether the interviewees were familiar with the interview questions and could give extensive details. The interviews were semi-structured. For the data analysis, this study follows the three stages of Miles and Huberman's (1994) qualitative data analysis: data reduction, data display and data drawing and verification. The data was firstly reduced by conceptual reduction to sort and categorise data into the different conceptual themes (Frey, Botan, and Kreps, 2000). Specifically, the data was categorised by two research questions and then was divided by the relation of the different publics of the dairy companies. Secondly, the author displayed the data on a draft. As data display is much more appropriate in drawing a cross-case analysis table, this paper did not show the details in this process; after considering the patterns and drawing tables on the draft sheet, only the representative quotations are provided in this paper. Third, conclusion drawing and verification are made after examining the differences and similarities of the data, while also considering the literature and secondary data.

**Results**

RQ: After the Sanlu crisis, what communication strategies were used to rebuild the reputation and maintain good relationships with the public?

According to the participants, the major methods employed by these companies to establish a good image were differentiation strategies, media campaigns, social media, other new media, point of purchase communication, and invitations to visit the company and sponsor the activities involving social responsibility.

Being open and ethical was the leading principle after crisis. As the journalist I interviewed said, "Sanlu crisis made people not trust each other. The whole nation's morality level should be increased." A manager of a dairy company said that they invited the government departments, schools, and institutions' customers to visit its factory. It even built a 'Disneyland' of dairy at the factory and many children and mothers came, along with a television station that was reporting this news. However, in the case of the Sanlu crisis, the company did not immediately confess. This deception was led by the short-term values of the Sanlu managers rather than by broader social values. The result was that the whole company was bankrupted. From the results of the research question, one participant said that although one media outlet had an exchange relationship with Sanlu, when the crisis broadened this was not enough to protect Sanlu. We could conclude that the quality of the product is the most important factor, even more important than the media relations.

In addition, the participant said that her company does not have a spokesperson at all. A manager from another dairy company stated that they have a public relations (PR) department, but he does not think they have a long-term crisis communication prevention system and he honestly felt that the PR department had failed. Not all participants know crisis strategies and tend to use image-building strategies deliberately. Two dairy companies in the interview only responded passively to what happened after the crisis. Fortunately, these two companies' products were not found to have melamine in their products. However, according to the public relations manager and advertising officers in the agencies, their customers from the dairy industry might be affected in the crisis.

The communication strategies were also focused on proving the social responsibility of the corporation beyond the tainted milk crisis. Yili donated RMB 3,000,000 Yuan to drought-affected areas in early 2010. Yili makes itself more credible by being one of the partners of the 2010 World Exposition, where the logo of the partner of the 2010 World Expo has been posted on many printing materials. Other activities include sponsoring a popular television show called 'Fei-cheng Wu-rao,' a Chinese version of the British social
experiment television show 'Take Me Out'.

Dairy companies such as Beinmate have also sponsored the activities of the television station 'Mother's Love.' They shoot many TV programs of touching stories of mothers and their children. Many celebrities and their mothers were invited to tell their stories. They also open their forums, letting cyber citizens talk about their own stories of their mother, and put their pictures on their activities' website. They also put the activities online, for example on the portal website, Youku. The activities include planting virtual carnations online and prizes awarded for 'achieving dream fund' to the winners of these activities.

Differentiation strategy. The marketing manager of a dairy company said that besides letting the public know about their good quality, stable milk resources, and the effectiveness of the production chain, the company uses the differentiation strategy to enlarge its market: to make their product special enough to communicate to the public, which means "what you have, I have; what you do not have, I still have," as he remarked, "for example, 'solid set style yogurt' or 'high-temperature instantaneous sterilizer' with which the consumers are not familiar." Experts might be invited to state that 'High-temperature instantaneous sterilized milk' would be better than the 'Pasteurized milk'. However, this is not actually the truth. The marketing manager also said that another dairy company use this strategy and even use this new terminology to promote old products. One dairy company has produced a new type of milk product, water buffalo's milk, which could inspire customers' curiosity to buy something different.

New media and social media. Dairy companies rebuild their reputation by using communication strategies through traditional media, new media and social media. An officer from an advertising company said "After Sanlu's crisis, we do not use directly the word "milk" in our advertisement of Mengniu ice cream." The company used the website of Kaixin.com, by putting in games called 'happy farms' online. From these strategies, we could find that it is important to communicate through the portals. Nowadays, the Internet makes communication of information very fast, which becomes the essential channel of public relations. For the usage of new media, especially social media, Yili Dairy Company used the renren.com website to promote its products, asking registered customers of renren.com to play online games involving the drinking of Yili milk to make them healthy. Mengniu accepted the consulting company's idea of initiating a composition competition of one product of milk ('Telunsu'). One winner's essay was titled "Mother's love: Telunsu." This dairy company also posted games online to promote their product and their brand. For example, it asked the people to write traditional a Chinese antithetical couplet starting with Niu, one character of Mengniu. They believed that there are many lonely netizens who are more likely to participate in the game. Immediately after the crisis, such advertisements were cancelled.

Point of purchase communication is another effective device. According to a quality inspector of a dairy company in Heilongjiang, "at the counter of the shops or super market, authorities put inspection reports next to the commodity to make use of the inspection authority recognized by consumers to re-establish the image..." The participants mentioned that these strategies and tags, that claim that products are 'not contaminated with melamine', are effective to them. A customer from Jiangsu said, "When you buy milk at the supermarket, the milk products would put a banner saying that their quality has been supervised by many people. For example, '33 citizens came to our factory to supervise us today.'"

Another customer from Jilin said that supermarket sales provide useful information
when she bought milk. She remarked, "They would say which products do not have melamine, and I would buy after considering the price..." In a similar tone, a customer also told me that after Sanlu she would still drink the samples of yogurt at the supermarket, and bought yogurt or milk tea.

International authorization. A public relations agency's manager said that the agency asked their consumers of dairy products to get the international proof ISO 26000. The international proof is considered more credible than the local authorisation since the Sanlu melamine milk powder crisis in China. The media reported that other dairy companies used similar strategies to build their trust, such as Hazard Analysis and Critical Control Point (HACCP), as a systematic preventive approach to food safety. However, one customer (who is also a netizen) said she would not care whether or not the product has international authorisation, she only believed in what the Chinese supervision department said, especially their safety reports of the dairy products.

Because Sanlu's crisis was caused by the sources of the milk, the dairy companies put more staff working on the processes that deal with the source of milk. Third-party authentication - especially expert endorsement - is important and effective. At a listed dairy company's press conference, experts on food or dairy were invited to talk on behalf of the company to make the customers confident of the products, which might be a useful strategy according to the participants.

Conclusions

This study analyses the relationships between selected dairy companies and the public. The cultivation strategies used by the dairy companies to maintain their relationships with the public are hard to separate from the communication strategies used after the crisis. Access, openness and disclosure cultivation strategies are used in the communication strategy of the dairy company: it is more open than before the crisis happened and it invited customers and media to visit the factory and gave more information to the public. Good practices of corporate social responsibility have been adopted and recommended to assist the dairy companies to rebuild a positive image. Appropriate rewards and the imposition of penalties to the employees, networking, sharing of tasks and some dual concern strategies between the public and the organisation are used in communal relationship of community issues and other social issues (e.g. earthquake). Besides the traditional media, the companies built their reputation and communicate with the public through new media and social media. Dairy companies used contending strategy: they intend to use many types of media to persuade the public and to make them feel confident of their products. "Assurances of legitimacy" is considered as a part of the legal relationship that the participants did not discuss as a frequent communication strategy.

Regarding crisis communication strategies after the Sanlu incident, the company used the denial strategy, which is one of the two most frequently employed crisis communication strategies, but the result was not good. To minimise the crisis, the dairy company used the justification strategy, saying that melamine would not affect adults. The dairy companies must change corporate public policy to pay more attention to milk resources. They provide more information of their production process. Differentiation strategy is similar with the building of a new agenda in the literature to rebuild the reputation of the organisation. International authorisation is another way to make consumers confident about their product.

Consumers believed what the experts and government said through the mass media. A good relationship with the government is suggested by the participants. The dairy com-
panies used the differentiation strategy to increase their volume of sales. The dairy companies' advertising should focus on the content and authorisation of the quality of their products. The dairy entrepreneurs should behave ethically to produce high quality products and in communicating with the public. Interpersonal communication and point of purchase communication are very influential for changing people's attitudes. This point corroborated the risk principle of interpersonal media (briefings, community interviews, hotlines, open houses, and public meetings) (Lerbinger, 1997, p.280).

From this study, we suggest that the dairy companies should undertake an integrated communication strategy to communicate with their publics. Most dairy companies use their websites for symmetrical communication to communicate with their customers and other publics. The researcher suggests that a spokesperson should be designated and be a long-term part of the in-house PR department of dairy companies.

The limitations of this research include the fact that participants from the dairy companies were not the highest level managers, so they could not discuss some strategies of the companies. More leaders of the dairy company need to be interviewed in future research. The author tried to contact Mengniu and Yili, but got no response. Another limitation is that only one method was used, so the accuracy still needs to be tested. Furthermore, the participants might not tell the truth and potential nervousness during the interview also might affect the results. This research extended knowledge in relationship management and provided some suggestions for other companies to implement when they meet an industry crisis.

ENDNOTES

1: Members of the publics provide access to public relations people
2: Anything that makes public positive in their relationship with the organisation and could be used in the win-win relationships
3: Engage in direct communication in the relationship (Canary & Stafford, 1994)
4: Networking with the same groups as their publics, which is important in China (Hung, 2007)
5: Participating in mutual networks beneficial for one or both sides

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