



About the Author:

Judith Ingleton-Beer, CEO IBA International was previously the editor of leading UK weekly and monthly business and technology magazines and wrote for the Financial Times and Investors Chronicle before becoming one of the two founders of IBA. At IBA she has overseen long term PR campaigns for many of the world's leading corporations including Acer, Ericsson, Fujitsu Siemens NCR, Nokia, VeriFone and Xerox. In this role she has had more than ample experience in helping clients deal with crises.

The Disaster Limitation Rule Book

Lessons to be learned from the Toyota brand disaster

How do you know you have a crisis? Nowadays with 24/7 Internet, it's often when the disaster story hits Twitter and blog fans. The lesson to be learned from the recent raft of crises mis-management is how to avoid them. Judith Ingleton-Beer, CEO of Ingleton-Beer Associates, suggests ways of avoiding mis-management by pre-planning and reacting quickly to contain the damage.

We seem to have lost the ability to manage a crisis. The past few months have been littered with tarnished brands culminating with what is now a disaster of biblical proportions for Toyota. The industry is now asking "Will the Toyota brand ever recover?" Hyundai is one company out there hoping not.

The Toyota brand represents a huge part of its market capitalisation. Already reeling from the effects of the economic crisis, Toyota last year announced a record \$4.6 billion operating loss on revenues of \$263 billion. Its US stock is already down over 20 per cent in just two and a half weeks – a loss of over \$30 billion in market capital. The financial impact of a brand meltdown, at this juncture, would be enormous.

Just over ten years ago, Coca-Cola failed to acknowledge a crisis in Belgium where sales were banned because of reported cases of poisoning ('where the f*** is Belgium?' snarled a dismissive Coca-Cola exec, who took no action). The crisis spread to France, Germany then went Europe-wide and even spread to Saudi Arabia.

The Coca-Cola poison fiasco cost the company an estimated \$103 million. At the time, brand pundits were reckoning that 'a substantial part' of Coca-Cola's market capitalisation of close to \$160bn (£100bn) was represented by the Coca-Cola brand itself. Simple sum to be done here: take Coca-Cola's market capitalisation, deduct the tangible assets in the shape of buildings, bottling plants and distribution centres, put a value on the other brands under the umbrella such as Fanta and Minute Maid, and what remains is the value of Coca-Cola. On even the most modest of calculations, it could be in the tens of billions of dollars region. It is certainly not anything that any responsible executive would put at risk.

So back to the Toyota Motor Corp. This company – one of the most savvy brand-creators in Asia – broke every rule in the book to protect that brand.

The company let fear, uncertainty and doubt spread – Was the problem just with the accelerators? Were the brakes affected too? The company failed to convince its public that it was seriously dealing with the problem(s) and that customer safety was paramount. Meanwhile the Tweeters are tweeting like mad, and drivers were resorting to the Internet and bloggers for news.

It was not until 2 February 2010, seven months after that fateful 911 call with the sounds of the Lexus crashing, killing its driver and three members of his family, that Toyota held a news conference in Nagoya – the first appearance by an executive from headquarters since the recent expanded recall. There was no deep bow – a standard fixture in Japan when a firm declares it is responsible for its mistakes – and no apology. Just a little-known Toyota executive in charge of quality, Shinichi Sasaki, explaining that part of the reason Toyota decided to use US. auto parts maker CTS's accelerators was to help contribute to the local US Economy. Trying to pass the buck?

At last, on Friday 7 February 2010, Toyota put together a press conference with, at last, President Akio Toyoda, grandson of the company's founder, who previously only had the courtesy to give a very brief public statement at the WEF in Davos before driving off in an Audi (yes, an Audi – it's all there on the blogs for everyone to read). He began the news conference with a customary Japanese bow and announced that he will lead a global quality control task force with independent experts acting as extra quality advisers.

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In the case of Toyota, it broke the cardinal rule in crisis management: assume the worst. Companies often don't realise they have a problem until it hits the media fan – and nowadays, Twitter, bloggers and YouTube beat most lumbering corporations to it. From a disgruntled employee to toxic waste – assume the worst.

Speed is of the essence – it always was but now 24/7 Internet catapults the timings. Remember the three A's: Assume the worst, Act fast – remember the bloggers and the Tweeters act faster than you – and Act from the top.

Here is your action plan – and you have less than 24 hours to do this:

1: Get the facts. Assume the worst – who, what, where, when, how...

2: Decide: Instant Rebuttal or Damage Limitation?

The Instant Rebuttal is an absolute denial that the story is true. Make sure you are right, and remember, journalists often know in general but no-one ever tells them in detail.

A perfect illustration here is the Christmas story about those nice furry animals, Go Go Hamsters. In the key run-up weeks to Christmas this year, the must-have toy – the Go Go Hamster – was said to contain traces of an arsenic-like chemical beyond permitted levels. Immediately manufacturers Cepia got the facts together – story not true. Russ Hornsby, Chief Executive Cepia LLC, acted swiftly, firstly to deny that the Hamsters were unsafe, then worked all weekend to get new tests done, produced a personal statement (I'm a dad etc. Mr Squiggles is safe) and squeeze a retraction

from the US consumer group Good Guide, that had made the claim. Perfect damage limitation – done and dusted in three days.

If necessary, in the case of an untrue report that is actually damaging to your company, you might need to consult with your lawyers and your PR professionals to obtain a retraction. There are quite specific techniques to obtain the retraction and to retain an ongoing professional relationship with the press concerned. Remember the objective is never to obtain financial damages from an influential publication in your marketplace. A retraction of an untrue story is what you require.

Damage Limitation – Take it on the chin – take full responsibility, be empathic to the victims, if there are any, and their families and be in control by outlining the problem and how they intend to solve it. Witness the outrage in the US, and the added damage to brand Obama, when Homeland Security Secretary, Janet Napolitano, brushed off the glaring mistakes that allowed a Nigerian bomber onto a US-bound plane, claiming on air that everything worked "like clockwork". Like what? Letting the bomber on the plane, relying on passengers to save what would have been a major disaster both in the air and on the ground?

3: Lead from the top – the ultimate fall guy makes the statements. We need to know you care. It took Toyota months before the founder spoke.

4: Communicate – with your staff, with your contact centre (remember, in a crisis, the person that answers the phone is as influential as top management), with your customers and with the media. Craft your message to suit your audience.

5: Remember, signals speak louder than words – Tiger Woods, a 'Big Brand' in his own right, hid from the media for days, refused to let police officials talk to him and his wife, not once but THREE times, blamed the media and let the bloggers and Tweeters go wild! The signal? I have something to hide.

So what should he have done? Assume the worst – that all the women involved were going to tell their stories. Admit responsibility – just imagine the sympathy vote he would have had if he had appeared after coming out of hospital in front of the cameras, bruised, battered and scarred from his wife's golf clubbing, and said he was sorry.

6: Manage that valuable brand that's such an important part of your market capital and business – remember the Perrier benzene contamination (1990), where, although the product was recalled within a week, an initial communications vacuum was accompanied by attempts to say that there is nothing wrong with benzene. This was followed by confusion and inconsistent messaging among worldwide subsidiaries which prolonged the crisis, and lost Perrier its brand dominance. If only Perrier had launched an entirely new product, benzene free, it might have rescued its tarnished brand.

The ones who did it well

There are companies that have coped well in crisis situations: The Ford Explorer/Firestone tyre recall (1999), where although the problem gestated for some time, the companies finally executed a recall, and launched ad campaigns using top executives as spokespeople. The Johnson & Johnson Tylenol tampering (1982), which so far is probably the most effective crisis management on record – J&J quickly pulled the product from store shelves and issued a nationwide campaign to warn consumers.

Some of you may remember in 1987, the European newspapers and TV channels were focused on the Townsend Thoresen ferry boat, the *Herald of Free Enterprise*, which went down in icy waters killing 193 people. That year P&O, owners of the once famous and now infamous Townsend Thoresen ferryline, rebranded to P&O European Ferries, now P&O Ferries. Perfect brand management. The Townsend Thoresen brand went down with the *Herald of Free Enterprise*.

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About IBA:

IBA is a leading specialist one-stop international press relations organisation working directly for clients in the UK, US and Europe with target journalist audiences in the Americas, Europe, Middle East and AsiaPacific. It was set up in 1977 as a division of Special Interest Publications Limited - a leading publisher of business and specialist weekly and monthly publications. For over 30 years IBA has worked at the highest level for leading worldwide organisations such as Siemens, Sage and Xerox as well as with companies in new markets such as Cybit, Clash-Media and 41st Parameter.

For more information contact:

Dina Mistry

Tel: +44 (0)1780 721 433

Email: dmistry@iba-international.com