

Consumer Label Scrutiny is Transforming the Rules of Communication

From the October 29, 2007 issue of The Holmes Report Global Leadership Bulletin

By: Andrew Silver, GCI Group's EVP, North American Consumer Practice Leader

The steady rise in the consumer practice of label reading has historically been linked to matters of nutrition and well being. What is the fat content of a food product relative to calories? How many grams of sugar does a product contain? Does the product contain enough vitamin C to satisfy the RDA? Sure, these are all serious questions, but are they a matter of life and death? Not necessarily.

Now fast forward to the summer of 2007 and you'll find that label reading has become much more serious and not just a food industry issue. In the wake of the great toy recall of 2007, all consumer product manufacturers are realizing that they are no longer immune to matters of labeling and product content. Instead, they must now proactively preserve their brand reputation while instilling trust in their products among skeptical consumers who are living in a world where information, opinions and options are literally at their fingertips 24 hours a day, seven days a week.

Top Line Lessons of the Toy Recall of 2007

In a little over two months, more than 20 million made-in-China toys were recalled, mostly by Mattel, as exports from China manufacturers came under scrutiny for high levels of lead and design defects. While the financial cost is heading north of \$30 million, the total cost to Mattel will end up being greater given the cost to correct the problem and the cost of safeguarding their brand equity among increasingly skeptical consumers.

For communications professionals, there is much to learn from the toy recall because it represents a complex cross section of major issues transforming the rules of our communications industry. Most obviously it represents lessons in the changing fundamentals of crisis management. Dig a little deeper and you will also learn how potentially threatening the digital media world can be to sustaining brand reputation even if your company or client is not directly in the line of fire. Lastly, it brings to light the importance of sustainability being away of doing business and not just a one-off corporate initiative.

To Understand the Lessons is to Understand the Changing Consumer Mindset

Six months ago, "Mom X" would head to the toy aisle, grab the discounted toy train set for her child's third birthday and then head directly to the check out. She didn't scrutinize the ingredients label, identify the country of origin or look for

a seal of approval from a consumer advocate group. Today she is likely to take cues from multiple sources of information to make purchase decisions. She will now research products. She will likely ask her pediatrician for product recommendations, join an online parent community such as momsrising.org, and read user-generated product reviews at online retailer sites and parenting blogs. Third party labeling may also come into play as Mom will now want seals of approval and guarantees stating “100 percent Kid Safe” or “Lead Free.”

“Mom X” will now scrutinize quality control procedures and measures. Governments, big-box retailers and third party organizations have all recently announced increased vigilance, improved quality control and inspection procedures in the past month. It’s almost guaranteed that companies will amend their recall procedures as well. Mom will place great value on products from companies and countries that can guarantee product safety. She may even become a product tester herself, using one of the new at-home lead test kits in order to ensure safety before putting a product in the hands of her kids.

“Mom X” will now look for product innovations. Mom will scour ingredient labels for alternative materials like bio-plastics and organic paints and may prefer handmade goods over mass produced ones. There will be an opportunity for companies to innovate particularly as consumers want goods and services that are in line with the sustainable, eco-friendly movement.

“Mom X” will now demand transparency. Mom will visit a brand website, call a customer service line, view a CEO Video cast and expect to hear the exact nature of company procedures. She’ll also expect to be informed almost immediately with proactive communication when a safety issue does arise.

“Mom X” will now have a powerful voice and could have a great impact on brand image. Mom will seek out forums to share her knowledge and experience. She will embrace the opportunity to build an online network so that she can learn from others and spread her own point of view. She will feel a sense of community that will empower her to speak up and to speak often. Her priority will be to help others and to protect her own. Her loyalty will be to strangers who she believes will benefit from her knowledge. She will thrive on the fulfillment that comes from being able to learn and to teach.

New Rules of Consumer Engagement and Communication

Proactively monitor consumer sentiment in a digital age—where social journalism and the .5 second news cycle has become the norm—consumer voice now gets much more traction and power at a much faster rate. Avoid being caught off guard by proactively monitoring consumer sentiment in the blogosphere.

Don't take a "wait and see" approach. It's no longer an option to wait and gather all of the facts about a crisis before communicating about the issue. The risk being that interpretation can quickly determine how the story plays out. When companies share the facts as they are gathered, they can include their own key messaging and can better control how the online and mainstream media interpret the situation.

Respond immediately to concerns over safety. Centralize information for consumers making it easy for them to research product origins and ingredients. Establish partnerships with advocacy groups and key influencers, creating transparent networks dedicated to consumer safety.

Build credibility through 100 percent transparency. Transparency rules—companies must not be vague, but rather act in an honest and upfront manner when dealing with safety issues. Address the consumer mindset of "who can I trust?" "how can I be sure that a product is safe?" The recent cases around product safety and the ensuing doubt that's been created in the mind of the consumer is a signal to companies that a new age of scrutiny is upon us. In this climate frequent and transparent communication can be a clear competitive advantage for those brands that get it right.