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Brand Crisis Response: Are you Ready?

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Brand crises are real risks. How a company reacts to a brand crisis is key to its future growth. It is paramount for companies to have policies in place before crisis strikes to react effectively and emerge stronger.

With digital transformation and increased interconnectivity, the scale of companies' global operations is magnified.

Accordingly, the potential blowback from any brand crisis has become more significant.

A brand crisis takes many forms, including consumer injury and product recalls; breach of consumer protection regulations; noncompliance with industry-specific regulations; cybersecurity attacks; and online smear campaigns, whether true or untrue.

In this digital age, news of any brand crisis spreads like wildfire. An incident in one country will be made known globally. If a company's operations

span several countries, a brand crisis in one country may attract intense scrutiny from regulators, the media and consumers, both local and abroad.

Companies must therefore accept that they may one day face a brand crisis, and plan for this risk accordingly. If a company has policies in place to deal with a brand crisis when it strikes, the company will be able to act swiftly and decisively to defuse the crisis.

If a company is able to effectively deal with a brand crisis, it can emerge stronger from the crisis, retaining its customers and potentially winning new supporters.

Are you ready for a brand crisis?

Problems

Brand crises cut across different kinds of situations and involve multiple issues. The severity of a crisis depends on each industry, sub-sector and business. Generally, the top problems in this space are as follows:

- **Product liability/consumer injury:** When a company's products fall short of safety standards, are noncompliant with applicable regulations or worse, if consumers suffer injury as a result of the products, the company may be forced by regulators or compelled by public opinion to recall their products.
- **Breach of industry-specific regulations:** Depending on the industry you are in, there may be industry-specific regulations. For example, the healthcare industry is heavily regulated, and there may be strict adverse event reporting and notification requirements. Depending on a country's specific regulatory environment, the consequences of noncompliance can range from harsh enforcement penalties to negative publicity.
- **Breach of consumer protection laws:** There are typically consumer protection laws in every country. Apart from regulatory enforcement, breaches of such laws are generally published by the relevant authority/agency. This may result in the loss of consumer trust and support.
- **Cybersecurity attacks:** As workplaces increasingly transit into remote working arrangements, cybersecurity issues such as ransomware, phishing attacks and impersonation of domains, social media accounts, key executives and mobile applications are becoming increasingly prevalent. In the event of such attacks, companies may, under data privacy regulations, be subject to mandatory breach reporting obligations and/or be required to notify the affected data subjects.
- **Online smear campaigns:** Viral campaigns criticising companies and their products/practices have the potential to reach a global audience and wreak significant havoc on the company's reputation. Whilst negative reviews are inevitable, calculated smear campaigns, especially if untrue, can be far more serious.

Key Actions

If companies do not deal effectively with brand crises, this would naturally result in loss of consumer trust, financial loss and a competitive disadvantage.

Companies need to acknowledge that the risk of a brand crisis is real and prepare for the worst to ensure that they are in a position to react swiftly and effectively, and be able to emerge stronger.

When assessing whether your company is ready to handle a brand crisis, key questions for every business to consider are:

- Am I aware of the general consumer protection standards in each country? What are the requirements/ implied conditions for the sale of my company's products and my company's obligations in case of breach?
- Has my company identified all industry-specific regulations that apply to its products within each market that its products are sold? If so, am I aware of the industry-specific regulations that apply, such as safety reporting or labelling requirements?
- How should my company respond to regulators if they raise issues with my company's products?
- Am I aware of the product recall requirements in each country? When are product recalls considered compulsory or voluntary? Does my company have in place strategies to manage public relations during such events?
- Does my company have in place defensible data protection measures?
- Am I aware which countries within my company's purview are subject to mandatory breach reporting notifications? Does my company have protocols for notifying affected data subjects if necessary?
- What should my company's response be when there is a malicious online smear campaign that is untrue?

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We solve complex legal problems across borders and practice areas. Our unique culture, developed over 70 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instill confidence in our clients.

Contact Us

We would be happy to have a chat with you to see how we can assist your business with these issues.



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