

CRISIS MANAGEMENT IN RETAIL:

Learning from the Past and Planning for the Future

RockDove SOLUTIONS

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Introduction

It was one of the most wide-reaching retail crises of our time: the 2013 Target data breach affected more than 100 million customers and cost the company billions of dollars. In the months following the breach, the company's reported profit took a 46-percent nosedive during the vital holiday shopping season. Customers wondered if they would ever return to Target, while investors nervously watched the company's stock price trend downward.

It took several years for the retail giant to fully recover from the breach and restore consumer confidence in its brand. And yet with a different approach to crisis management, Target may have positioned itself for a much smoother crisis recovery, saving money and resources, time, and even jobs.



Retailers in every corner of the globe are all too familiar with the many crises that may strike at any time. Department stores may encounter supply-chain problems and product-quality issues. Supermarkets can be hit with food shortages or E. coli outbreaks. High-profile brands are often subject to shifting public opinion and social media gaffes, all in a crowded and fickle marketplace. And on top of industry-specific threats, retailers of all kinds are also subject to data breaches, cyber attacks, severe weather, theft, vandalism, violence, and even terrorism.

There is no doubt that today's retailers face a staggering array of potential crises. Planning for and managing these threats takes careful consideration, dedicated resources—and a willingness to learn from other retailers' past mistakes.

It seems every year a major retailer is embroiled in an executive scandal, product-related crisis, social media firestorm, or similar emergency situation. In just the last few years, we have seen countless examples, including Walmart's involvement in a Bangladesh factory fire tragedy, Urban Outfitters' recurring product scandals, and insensitive comments made by Abercrombie & Fitch's CEO. The way each company handled their respective crises led to seemingly unending news articles, social media complaints, boycotts, and more—much of which could have been avoided with a more measured approach to crisis management.



For retailers, effective crisis management can be the difference between ensuring ongoing success and planning a going-out-of-business sale. Luckily, there are examples all around us that demonstrate what to do—and what not to do—during a retail crisis.

In this eBook, we will take a closer look at six recent high-profile retail crises and how they were handled. Then, we'll explore lessons learned from these events and ways to prevent similar situations at your own organization. Finally, we'll explore methods for improving your own crisis management, using a proactive approach that includes actionable and accessible crisis plans and improved crisis communication.

Learning from the Past

In today's hyperconnected world, there is an unprecedented level of scrutiny directed at all retailers, in particular those with big-name brands. Over the last few years, several retail emergencies have emerged as all-too-perfect examples of how to not handle a crisis in the digital age. Let's cover six of the most recent crisis-management case studies and where they went wrong:

1. TARGET'S DATA BREACH

What happened: In December 2013, news broke that Target's IT systems had been hit by a data breach that affected up to 110 million customers. Hackers were able to exploit the company's point-of-sale system and gain access to millions of shoppers' names, phone numbers, and email and mailing addresses.

The company's response: The Target data-breach story did not come from the company itself; instead, a security blogger broke the story, and Target found itself on the defensive from that point on. The day after the story broke, Target issued a statement explaining what happened, apologizing for any confusion and inconvenience, and offering free credit monitoring for affected customers. It mentioned that 40 million customers may have been impacted—a number that later more than doubled.[1] It also reassured customers that their private PINs had not been compromised—a claim it had to reverse only a few days later.[2]

Clearly, Target did not know the full scope of the data breach when it released a statement the day after the story broke. Because an outside party discovered the story, and the company responded in an inconsistent way, customers saw Target as untrustworthy. The public had a sense that the company had tried to cover up the problem and mislead consumers, and Target's reputation suffered for it. A few months later, the company's CEO stepped down amid ongoing disapproval of the company's response to the hack.

Target would have been better positioned to handle the aftermath of the data breach if it had prioritized transparency from the start. Trying to downplay the impact of the crisis, and issuing statements before officials have gathered all the necessary information, creates inconsistencies and a feeling of distrust. When such a massive mistake occurs, you must discover the root of the problem, admit to your shortcomings, and move to rectify the mistakes.

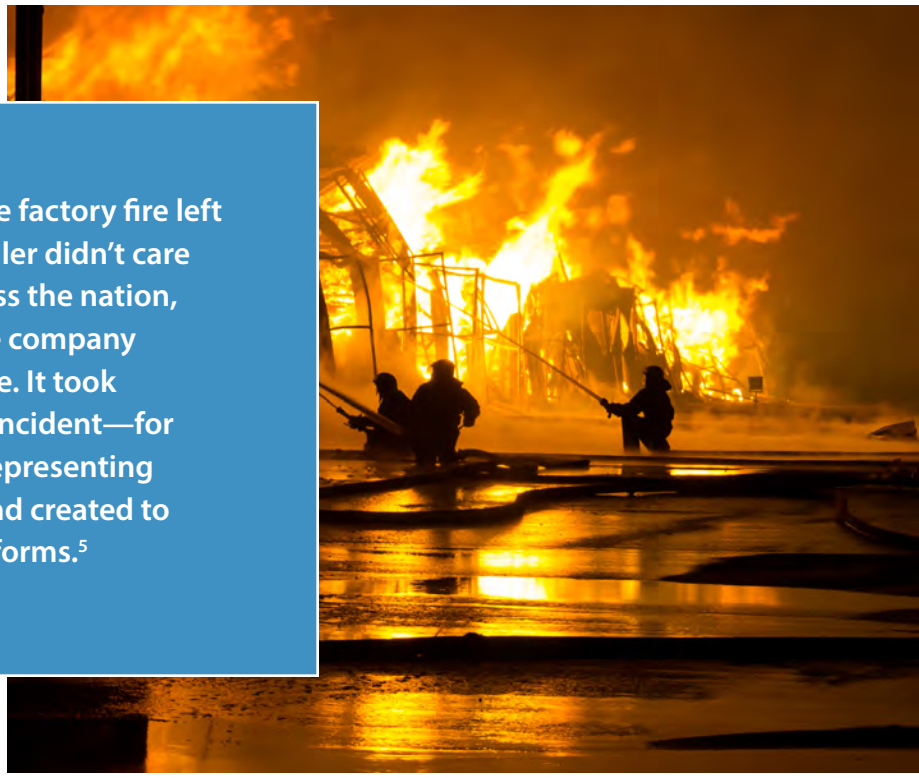
2. WALMART'S FACTORY FIRE

What happened: A fire at the Tazreen Fashion factory in Bangladesh killed 117 workers in November 2012, marking one of the deadliest fires in that nation's long history of supplying clothing to the U.S. and Europe. Soon after the fire, news broke that the factory had been making clothes for the world's largest retailer, Walmart, among several other brands.

The company's response: Walmart was widely criticized for its response to the Tazreen fire. The day after the tragedy, a spokesman said he couldn't confirm whether or not Tazreen was a current supplier to Walmart. Soon after, the company announced that the factory was in fact making clothes for Walmart but through a subcontractor that was violating Walmart's policies.

Walmart claimed it had previously worked with Tazreen directly but suspended its relationship due to unsafe working conditions. After the fire, the retailer ended its relationship with the subcontractor that it claimed was using Tazreen "without its knowledge."[3] However, an investigation by The New York Times found that Walmart had helped block safety reforms in Bangladesh factories in order to avoid paying higher production prices.[4]

Walmart's inconsistent response to the factory fire left many consumers feeling that the retailer didn't care enough about the tragedy itself. Across the nation, shoppers called for a boycott until the company took financial responsibility for the fire. It took until 2014—a full two years after the incident—for Walmart to pledge money to a trust representing the families of the victims and to a fund created to support Bangladesh factory-safety reforms.[5]



In this case, issuing a heartfelt, honest statement immediately after the fire would have been extremely helpful. Walmart should have been more transparent about its relationship with Tazreen, while also displaying greater sympathy for the victims. Finally, a financial investment to help the families of the victims and to improve Bangladesh factory conditions would have shown ongoing commitment to change.

3. ABERCROMBIE & FITCH CEO'S PR GAFFE

What happened: Long-time Abercrombie & Fitch CEO Mike Jeffries found himself at the center of a media firestorm in 2013 when a 2006 interview with Salon was resurrected by several media outlets. In it, he laid out the reasons his company doesn't offer women's clothing over a size 10: "Candidly, we go after the cool kids. We go after the attractive all-American kid with a great attitude and a lot of friends. A lot of people don't belong [in our clothes], and they can't belong. Are we exclusionary? Absolutely….That's why we hire good-looking people in our stores. Because good-looking people attract other good-looking people…we don't market to anyone other than that."[6]

The company's response: Jeffries issued a public apology several days after the story broke. Six months later, the company announced it would begin offering plus sizes. However, the damage was done: Public perception of the brand was forever changed, and sales steadily fell over the following years. In 2014, Jeffries retired amid pressure from investors who wanted the company to head in a new direction.[7]

Following the 2013 media frenzy, Abercrombie should have apologized for Jeffries' comments and made a commitment to adopting a more inclusive product line. They might have even installed a new CEO at that time, simply to demonstrate a commitment to change. As it was, the company found it difficult to recover from the PR gaffe, particularly in the midst of a difficult climate for clothing retailers.



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Abercrombie & Fitch CEO Mike Jeffries

4. URBAN OUTFITTERS' INSENSITIVE PRODUCTS

What happened: Urban Outfitters is no stranger to controversy, having developed and sold a wide range of products that elicit strong public reaction. These include a "vintage" fake-blood-spattered Kent State sweatshirt, shampoo whose label includes puns about suicide, products reminiscent of Holocaust uniforms and Star of David badges, unauthorized Navajo clothing, products celebrating the use of alcohol and drugs, and the unauthorized alleged copying of independent artists' designs.[8]

The company's response: In most cases, Urban Outfitters has pulled the product and apologized once it has garnered attention in traditional and social media. However, it is never long before a new controversy emerges, with Urban Outfitters right in the middle of it.

Although the company's sales have lagged in recent years, it is still staying competitive in a challenging market. In fact, some industry analysts believe the ongoing controversies and their accompanying negative press are deliberate.[9] If that is the case, the company's brand of crisis management is less about moving on from an incident and more about encouraging just enough publicity to stay in the news.



5. SEARS' SWASTIKA RING

What happened: In 2014, Sears came under fire for indirectly selling a ring that very clearly featured a swastika.[10] The ring was being offered by a jewelry company called CET Domain, which had listed the item through Sears' "marketplace" website, which includes a community of third-party sellers. News of the swastika ring moved quickly through social media, and consumers from across the country said they would never shop at Sears again.

The company's response: Sears wisely chose to respond via social media, because that was where the public outrage originated. The company Tweeted personalized responses to many angry consumers and then posted several more general Tweets that apologized for the incident. The company immediately removed the ring from its marketplace, saying that it did not meet the company's guidelines.



Although Sears has been criticized for other marketplace items, including revealing lingerie and products featuring images of a Hindu deity, it has vowed to keep a closer watch on its third-party vendors' products and photos.

Luckily, the company's response to the swastika ring was effective. By quickly admitting fault and strategically targeting its social media apologies and responses, its team was able to get to the heart of the crisis before it spiraled out of control.

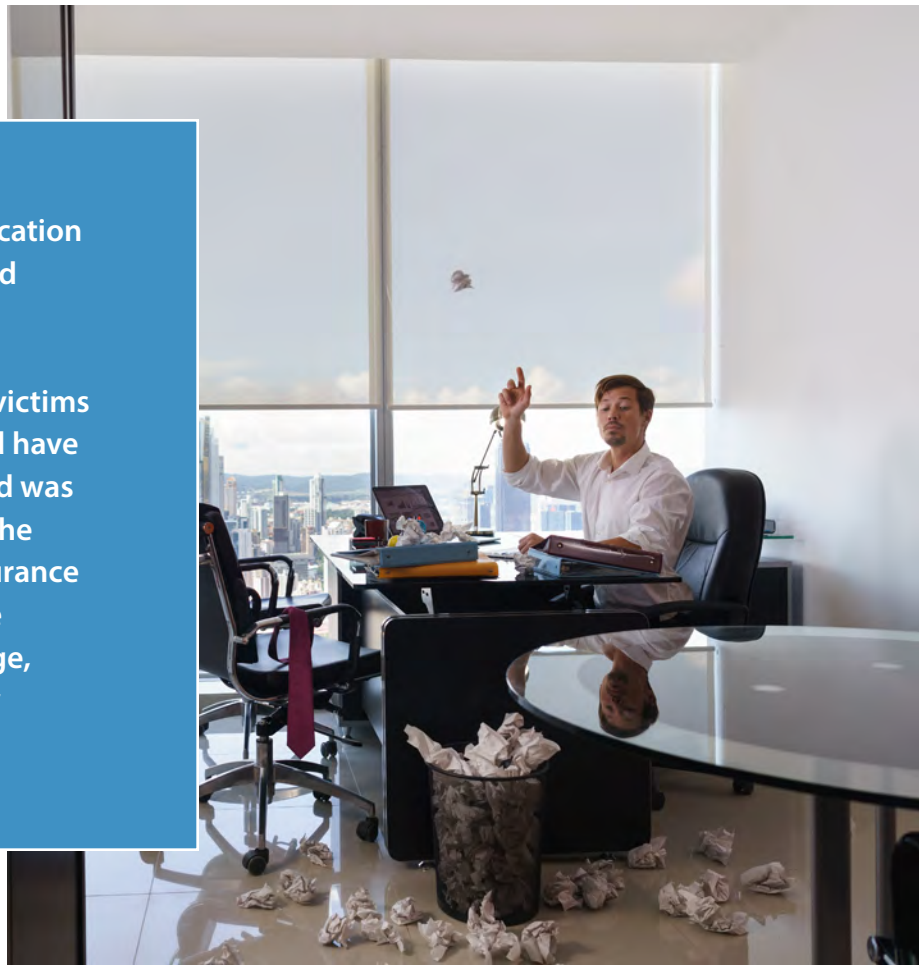
6. BLOOMINGDALE'S EGGNOG AD

What happened: Bloomingdale's found itself in a PR nightmare when it released its holiday 2015 catalog. The catalog featured an advertisement that many said seemed to encourage rape.[11] It features a male model looking suggestively at a female model, with text that read, "Spike your best friend's eggnog when they're not looking." Social media users blasted the company for the ad's implied message, saying it promoted rape culture.

The company's response: Much like Sears, Bloomingdale's chose to respond via social media, posting an apology on Facebook. "In reflection of your feedback, the copy we used in our recent catalog was inappropriate and in poor taste," the company said.

Unfortunately, many social media users felt that the brief apology wasn't enough and called on the company to do more to make it right. Bloomingdale's did not explain how the ad was approved or offer any additional information.

In this case, even a bit more communication would have gone a long way. Outraged consumers wanted to know that Bloomingdale's understood the ad's inflammatory nature, particularly for victims of sexual assault. The company should have provided an explanation of how the ad was mistakenly approved, as well as how the situation was handled. Finally, an assurance that this type of mistake would not be repeated, and a commitment to change, would demonstrate that the company understood the gravity of the topic.



Lessons Learned

These diverse crises and their respective responses provide plenty of learning opportunities to apply to your own organization.



Once you have discovered a problem that impacts your customers, do not wait to go public. In our hyperconnected age, news travels fast. Much like Target with its data breach, keeping quiet about a problem only makes it worse when the story breaks. Consumers will see your company as untrustworthy and greedy. On the other hand, truly "owning" a problem helps build trust. Openly communicate the necessary details with your customers—what happened and why, what you're doing about it, how to get more information, etc.—and then work to make it right.



Don't forget to be sympathetic. Take a lesson from Walmart's handling of the Bangladesh factory fire: The company was so busy protesting its role in the situation that its sympathy for the victims and their families seemed secondary. When the situation calls for it, be sympathetic and heartfelt. In social media posts, customer-service calls, and statements to the press, encourage employees and executives to be caring and compassionate. This will show that your company has a human side and will reinforce that your customers (or employees or subcontractors) are more important than the bottom line.



Maintain a consistent brand voice. This is another area in which Walmart came up short. After the factory fire, the company's official statements ranged from defensive to vaguely sympathetic and then, two years later, more heartfelt. This inconsistent tone did nothing to help the company's image in the eyes of consumers. In the wake of a crisis, keeping your voice consistent can be challenging, particularly if you and your team are barraged by information and advice from outside parties, such as lawyers, security experts, consultants, and members of law enforcement. Listen to them if it will aid in the crisis response, but always be sure to communicate with customers, employees, and stakeholders in the appropriate brand voice. This will lend a sense of authenticity and continuity.



Preplan your response strategy. The time to draft crisis communications is not following a crisis—it is before the incident ever occurs. Ideally, your department is able to respond to an incident within an hour. In the examples above, both Target and Walmart waited a full day to issue a response, during which an "information vacuum" formed as consumers and the media set forth their own opinions about what happened. The ability to respond quickly requires preplanning and, when possible, preapproval of specific statements, press releases, and social media posts. Draft sample responses for each potential crisis and then get approval ahead of time. If and when an emergency strikes, you can quickly make small changes or add details where needed.



Demonstrate corrective action. It's one thing to apologize for a mistake; it's another to do something about it. Take a cue from Abercrombie & Fitch: Following its CEO's negative comments, it took the company a full six months to announce it would incorporate plus-size products into its stores. Meanwhile, Urban Outfitters continues developing products that raise eyebrows and garner negative media coverage, while other retailers have responded to similar situations with utmost caution. By delaying or avoiding "corrective action," the companies are sticking to business as usual, which, to consumers, feels like an attempt to downplay the incident.



Go beyond the superficial. In most times of crisis, a brief, sanitized statement probably isn't going to cut it. Consider the way Bloomingdale's handled its "spiked eggnog" ad: It posted a short apology on Facebook and then retreated into silence. People were outraged that the company treated a topic as sensitive as rape in such a way. In a situation like this, go beyond the superficial, both on social media and in print and broadcast statements. Show empathy for those who were affected or offended. Give context when appropriate. And consider making a donation or taking some other goodwill action to show that you mean what you say. For example, Bloomingdale's could have donated funds to a rape-crisis program to demonstrate that it takes the topic seriously.



Respond using the appropriate channels. If you encounter outrage on social media, the best way to reach those people is through social media. On the other hand, if your CEO is confronted by protesters on the street, your response should probably include issuing a statement directly to those protesters. Sears actually did a good job of this when responding to complaints about its swastika ring. Through Twitter, the company posted general apologies and also reached out to specific consumers to address their individual complaints. Meanwhile, Target initially posted an apology video on its website following its data breach. Days later, officials realized hardly anyone had watched the video, because most of the conversation around the breach was happening on social media.

Enabling an Effective Crisis Response

Of course, it's impossible to prevent all crises—but proper crisis management can help streamline your response and mitigate the effects of an emergency.

Each of the above examples demonstrates important lessons for today's retailers about how and when to communicate about a crisis, what steps can help rectify the situation, key tools to aid in your response, and more. In most cases, poor planning and a reactive—rather than proactive—approach to crisis management means that the retailer was caught by surprise. But there are key initiatives you can implement to prevent crisis-management problems and establish a proactive plan.

First, ensure that your entire organization, and its leaders in particular, understand the damage that a single crisis can wreak on a retailer. Educate stakeholders on the ways in which various crises could hit your company hard, whether through a damaged reputation; financial impact; or even threat to human life, health, or public safety. Stress the importance of a proactive approach to crisis management that will allow you to respond quickly, confidently, and effectively. Keeping your plan up-to-date is also essential to make sure you account for emerging risks or new scenarios.

Next, it's vital that your crisis-management plans are accessible for all stakeholders. This means that if an emergency were to hit today, all relevant employees, leaders, and other individuals would know where to access key information to enable a fast and streamlined response.

To make their crisis-management documents more accessible, many retailers have begun digitizing their plans and making them available to stakeholders via a mobile app. This puts important information, such as scenario planning, crisis communications, and contact lists, right in the hands of the people who need it, even if an emergency occurs at 2 a.m. A crisis-management app also helps to activate your crisis team which enables them with real-time communication and reporting, helping ensure that everyone is on the same page during the tense moments of a crisis. Overall, this enables a faster and more effective response, because each individual involved has all the relevant information, even as the situation continues to evolve.

Learn More

Today's retailers require proactive crisis management that leverages mobile technology to ensure your most up-to-date plans are stored in a location that is easy to access, which allows you to activate the team and plans immediately

To learn more about how your organization might benefit from a crisis-management app, **request a complimentary demo** of In Case of Crisis, the No. 1 mobile crisis app from RockDove Solutions.



Resources

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