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Social media and culture in crisis communication: McDonald's and KFC crises management in China

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\section*{A B S T R A C T}

This study analyzed how social media presents both challenges and opportunities to multinational companies (MNCs) in crisis situations. Employing a case study approach, the present study examined how McDonald’s and KFC used social media to manage their 2012 crises in China. Important findings of the study include: 1) crisis response strategies should be based on cultural insiders’ assessment of attribution of blame; 2) perception and use of specific response strategies (e.g., apology) have cross cultural variations; and 3) the role of influential social media users needs to be contextualized by culture.

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Crises have far-reaching consequences for an organization's internal and external stakeholders. \textcite{Coombs2007} defined an organizational crisis as the “perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization’s performance and generate negative outcomes” (pp. 2–3). An organization’s post-crisis communication can substantially exacerbate or mitigate the outcomes of a crisis (e.g., \textcite{Ulmer, Seeger, Sellnow, 2007}). In addition to the complexity involved in crisis communication itself, digital technologies further complicate how crises are managed and communicated worldwide (\textcite{Veil, Buechner, Palenchar, 2011}). Specifically, the user-centered nature of social media presents unique challenges to organizations’ crisis communication strategies and responses.

The present study adopted a case study approach to examine organizational crises involving two American fast-food chains in China: McDonald’s and KFC. The objective of the study was to highlight the importance of effective social media use, especially the role of influential bloggers, by understanding cultural nuances to engage stakeholders in China during crises.

China is home to many MNCs and also has the world’s most active social media environment: More than 300 million people use some form of social media including blogging and social-networking sites, and the average Chinese online user spends more than 40 percent of online time on social media (\textcite{Chiu, Ip, Silverman, 2012}). Social media have become an important part of the consumer experience in China. In 2013, 71\% of China’s consumers used social media to search information regarding health, social safety, and environmental issues (\textcite{Yao, Bunzel, 2013}). Additionally, food issues have always been at the forefront of topics searched. Food-related scandals reported in the news frequently spark heated discussion in social media outlets. Therefore, examining the social mediated crisis communication of two multi-national fast food organizations in China could provide valuable insights for MNCs, crisis communication theorists and practitioners.

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1. Social media use in crisis communication

Social media have transformed how crisis information is generated and shared. In the digital age, crisis news are no longer monopolized by dominating mass media outlets; instead, they can spread among social networks and reach large audiences almost instantaneously (Stephens & Malone, 2009). In many cases, local eyewitnesses use social media to provide first-hand information in the immediate aftermath of a crisis (Bruns, 2014). Public participation on social media platforms has become the new norm in crisis management (Baron, 2010). Furthermore, social media sites provide a virtual space for people to bond across geographic boundaries and share information after devastating events, which satisfies people’s emotional needs in a crisis (e.g., Stephens & Malone, 2009). Therefore, crisis communication experts suggest that organizations need to prioritize social media use in crisis management and pay close attention to virtual communities emerging via social media (e.g., Bruns, 2014; Wetzstein, Grumbmüller-Régent, Götsch, & Rainer, 2014).

However, new social media technologies have also complicated organizations’ crises management because they add unpredictability and complexity to the issues at hand (Jin, Liu, & Austin, 2014). The social mediated crisis communication (SMCC) model highlights three types of publics that interact with an organization during a crisis via social media: 1) influential social media creators who create crisis information, 2) social media followers who consume the influential social media creators’ crisis information, and 3) social media inactives who consume influential social media creators’ crisis information indirectly through offline word-of-mouth communication and/or traditional media (Liu, Austin, & Jin, 2011). Among these three types of publics, influential social media creators play the most important role in terms of crisis information dissemination and management. In addition, under the SMCC framework, specific propositions are made regarding the interplay between influential social media creators, social media followers, and other key publics (Liu, Jin, Briones, & Kuch, 2012). Specifically, the theory suggests that influential social media creators affect social media followers by providing issue-fit opinion leadership, satisfying the followers’ informational and emotional needs, and they affect media coverage by setting crisis issue agenda.

2. Cultural context in crisis communication in China

Culture influences the way stakeholders perceive and respond to a crisis (Falkheimer & Heide, 2006; Lee, 2004). For MNCs an additional challenge is to address the crisis in a way that is culturally sensitive and appropriate to the stakeholders in the local market.

One of the most examined cultural dimensions is individualism/collectivism, which refers to the degree to which individuals are integrated into groups (Hofstede, 1984). China is a collectivistic society that stresses harmony and belongingness. The collectivistic “We” identity carries a lot more weight than the individualistic “I” identity in the Chinese context (Hofstede, 2011). As a result, Chinese communication style is marked by avoidance of direct confrontation in order to maintain harmony (Ting-Toomey, 1999). “Face saving” and risky communication avoidance have powerful influences on how corporations respond to and communicate about risk (e.g., Yu & Wen, 2003). Prohibitions on reporting, deception, and the no comment/response strategy are predominant in China. The underpinning mindset is that “the ugly things in the family do not go public.” In addition, diversion and strategic ambiguity (Huang, Lin, & Su, 2005), avoidance of “extreme” tactics such as attacking accusers and public apologizing are common themes in Chinese crisis communication (Huang, Wu, & Cheng, 2016).

Furthermore, in collectivistic China, trust is fostered more on structural relations between people than on personality traits (Shin & Park, 2014). Social media followers are more likely to receive risk-related content through forwarded blog links from someone in their social network. These blogs thus assume more credibility because they are “endorsed” by people’s contacts. Moreover, because China is a high power-distance society that emphasizes hierarchical power distribution (Hofstede, 1984), blogs created and forwarded by influential social media users have enormous persuasive power because of the source’s high status.

3. Review of cases

3.1. Background information

McDonald’s and KFC are two prominent MNCs that gained early entry into the Chinese market. KFC has held an operational edge over McDonald’s in China. KFC opened its first outlet in Beijing in November 1987, whereas McDonald’s opened its first outlet three years later in October 1990. In 2012, KFC had approximately about 4000 stores in China compared with McDonald’s less than 1500 stores. According to a survey conducted between 2011 and 2013 on 60,000 consumers in China, KFC was ranked the most powerful brand in China, whereas McDonald's was ranked No. 7 (Ruggless, 2013). KFC had not only grown faster than McDonald’s in China, it was also more advanced in terms of localization policies, including localized menus and employing local suppliers (Hu & Xie, 2013).

Despite being popular, both fast-food giants have had food-safety related scandals in China. In 2002, undercover reporting accused McDonald’s of improperly disposing used cooking oil and transferring a large quantity of “poisonous oil” to local Chinese food businesses. Similarly, in 2005, KFC was found to use Sudan I red dye, a food dye that has been linked to cancer and other negative health effects. In 2010, McDonald’s was accused of not following basic hygiene rules (e.g., not cleaning trays after use). In 2011, several former KFC employees accused KFC of changing cooking oil only once in four days. Although
both organizations have dealt with crises, KFC has been considered more effective at responding to these crises compared with McDonald’s (Hu & Xie, 2013) before the 2012 crises that are discussed next.

3.2. McDonald’s 2012 crisis management

McDonald’s food crisis started on March 15, 2012 when China’s powerful state-run TV station, China Central Television (CCTV), used hidden cameras and exposed employees at McDonald’s Sanlitun branch selling expired food. Thirty minutes after the CCTV evening show, McDonald’s announced that operations at the offending franchise had been suspended. Less than 90 minutes later, McDonald’s apologized on its official microblog. The apology post was forwarded 17,394 times and 13,286 comments were left on McDonald’s official microblog account, the majority of which were positive comments. For example, a user commented, “The response speed is impressive! This crisis management! It [is a model] for learning.”

Subsequently, influential social media creators in China tweeted mostly positive comments regarding McDonald’s crisis and its post-crisis communication. For example, Ma Zhihai, a popular TV host for a business channel, said that he supported McDonald’s response and attitude facing the crisis. His comment was retweeted 4,793 times. Other influential creators said that the CCTV broadcast had increased their trust in McDonald’s. For example, Fan Weifeng, a financial writer and a new media professional, blogged that the CCTV report was like an advertisement for McDonald’s, whose strict rules of tossing away fried chicken wings an hour after cooking is much higher than local Chinese restaurants. Among the 355 comments that Fan received, the majority was in agreement with this assessment. For example, some users commented, “McDonald’s is very safe” or “[McDonald’s food is] truly trustworthy good food.” An “I trust McDonald’s over CCTV” campaign was initiated by influential social media creators1 on microblogs less than 2 hour after CCTV’s broadcast. A public opinion poll conducted over Sina.com showed that over 80% of the users still trusted McDonald’s, compared with 11% who trusted CCTV (as cited in “Crisis Management in the Microblog Era,” 2012). These survey results reveal that CCTV’s credibility and authority ultimately fared worse than McDonald’s in this crisis. By the end of the month, public opinion had remained predominantly positive about McDonald’s. The following comment from McDonald’s microblog response is representative of public views of the crisis:

In my opinion, the McDonald’s [branch] that was criticized by CCTV is in fact an exemplar for China’s restaurant industry: The food [provided by the Sanlitun branch] was still fresh; it only passed the expiration period set by the corporation itself (hao chi lan zuo jia tan shua; March 25, 2012).

In sum, McDonald’s successful response strategies became the “gold standard” for dealing with crises using social media. However, its competitor, KFC, faced a similar crisis situation but handled the situation very differently.

3.3. KFC’s 2012 crisis management

KFC’s crisis started on November 23, 2012 when China Economic Net (www.ce.cn) reported that one of KFC’s poultry providers, Shangxi Lihai Group, raised chicken to maturity within a period as short as 45 days. KFC responded the same day in their official microblog stating that Lihai Group contributed only one percent of the fast food chain’s total poultry purchases. Furthermore, “KFC always attaches great importance to food safety and asks its chicken providers to take food safety measures seriously…” However, the crisis continued to receive negative media coverage and public criticism. On November 23, KFC issued another statement, saying that there was no evidence showing Lihai was engaged in improper or unethical operations. In the same statement, KFC explained that raising broiler chicken within 45 days was the industry norm as a result of superior chicken breed and scientifically developed feeding habits. Therefore, KFC asked consumers to use scientific evidence to evaluate the issue, and not be biased by a few sensational reports. However, the statements that appeared to trivialize the crisis did not appease the public. On Sina microblog, users left comments such as “Boycott Western garbage food!” “Li! Li!” and “how could we be rest assured? We need evidence!”

The crisis reached its peak on December 18, 2012 when CCTV revealed that another KFC’s poultry supplier, Liuhe group, had fed growth hormones to their chicken to speed up maturity and to increase the bird’s weight. KFC continued to deny any part in the wrongdoing. On the same day, KFC said on its microblog that “if [we] find out that our suppliers have conducted any improper activity, [we] will handle it strictly”. KFC’s official statement received many negative comments. As public discontent continued to grow, almost all of the comments were negative by the end of the month. Many netizens asked explicitly why KFC still had not apologized. To combat the negative publicity, on January 10, 2013, J. Samuel Su, Chairman and CEO of Yum! China (Yum! Brands is the parent company of KFC) posted an open letter of apology on KFC’s official microblog, promising consumers that Yum! would improve its testing of products, raise the bar for suppliers, and help suppliers develop “advanced cultivation methods” for chickens. However, the online response to Su’s letter of apology was also overwhelmingly negative. Many users asked KFC to “get out of China.” A microblog mocking KFC was widely circulated, “Next time I get sick, I’m going to KFC. Get my antibiotic fix[ed] from their chicken—save me a trip to the hospital!” (Li, 2012).

1 There was some controversy regarding who initiated this campaign. McDonald’s stated on its microblog on May 18 that they did not initiate it but they were grateful for the public support demonstrated through the campaign.

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As a combination of KFC’s chicken scandal and China’s larger bird flu worries, Yum!’s net profit in China dropped by 26% in the first quarter of 2013 (Jourdan, 2013).

4. Analysis and discussion

Both McDonald’s and KFC are multinational fast-food chains with a major presence in China. Both organizations engaged in unethical practices that were exposed by mainstream media in 2012. However, they weathered the crises differently: Whereas McDonald’s emerged stronger after the crisis, KFC needed over a year to recover. Analysts have attributed the success of McDonald’s crisis management to its effective use of social media, noting especially its impressive response speed (e.g., Bjorksten, Cao, Dong, & Hu, 2013). McDonald’s responded to the CCTV report within two hours with an apology on its official microblog. In contrast, it took KFC weeks to apologize to Chinese customers (from November 23, 2012 to January 10, 2013). The delayed response hurt KFC’s reputation, as response time is often positively associated with reputational damage in social mediated crises. KFC’s slow response was met with strong criticism (Capone, 2013). However, the timing of the apology is only one reason for the observed outcomes; a cultural reading of the two cases in the following section provides further insights.

4.1. The role of culture in crisis communication

The call to include culture as an influential parameter in crisis management has been gaining momentum (Falkheimer & Heide, 2006; Lee, 2004), especially for MNCs as they operate in cultures that could be different from their own. The crises examined here, responding to that call, reiterate the fact that culture is an important contextual factor in crisis communication.

First, culture moderates the relationship between the level of organizational responsibility and the choice of response strategies. Coombs (2007) suggested that strategic crisis responses should be based on the levels of attribution and reputational threat. However, in the present cases, even though both McDonald’s and KFC used theoretically appropriate response strategies, the outcomes were very different for the two MNCs. With respect to McDonalds, although selling expired food was an intentional mistake and demanded the highest level of response strategies (e.g., apology and compensation), once Chinese consumers learned that McDonald’s generally employed strict guidelines regarding the expiration periods for each product, their trust in McDonald’s actually increased. Their reaction can be understood in the context of China’s overall food safety problems (e.g., tainted milk powder, using gutter oil for cooking, illegal food additives). That is why some influential bloggers commented that the CCTV’s exposure served as an indirect advertisement for McDonald’s in terms of its hygiene standards (as cited in "Crisis Management in the Microblog Era," 2012). Accordingly, the public only expected a weak crisis response from McDonald’s. McDonald’s apology response strategy, although only proportional to its accountability, exceeded the stakeholders’ expectations and ultimately increased trust with their publics. It is interesting to note that the quick apology of McDonald’s combined with influential bloggers’ support actually egged the public to attack the attacker, in this case, CCTV, in an attempt to repair the image of McDonald’s. It appears that because McDonald’s response exceeded the expectation of stakeholders, they responded by defending the organization and repairing its image, a strategy reserved for use by the organization itself (Benoit, 1995).

In contrast, consumers in China perceived the KFC crisis to pose serious potential risks to their health. Consumers were not persuaded by the KFC explanation that raising broiler chicken in 45 days is the industry standard and it is safe to eat the “fast-grown chicken.” This argument ran counter to consumers’ common knowledge of how long it takes for chicken to grow to maturity. In other words, although KFC was not directly involved in serving chicken with excessive antibiotic and hormone levels, stakeholders in China believed that merely providing information was not sufficient to regain their trust, and denying the existence of the issue only made matters worse. If consumers know that KFC chicken is fed with growth hormones, and they choose to eat it anyway because it is convenient and tasty, they are less likely to be upset at KFC’s practice. To Chinese consumers, KFC had concealed or withheld important information (i.e., feeding growth hormones to chickens) from them. Not only had KFC made a mistake, but they were also aware of the practice and endorsed it. This consumer reaction once again underlines the fact that irrespective of the organization’s perception of responsibility, public perception of corporate responsibility is what matters.

Second, culture affects people’s understanding and use of crisis management strategies. For example, cultural differences exist in perceptions and functions of an apology (e.g., Barnlund & Yoshioka, 1990; Maddux, Kim, Okumura, & Brett, 2011). In individualistic Western cultures an apology conveys admission of fault and personal responsibility, so organizations are often reluctant to apologize for fear of legal ramifications resulting from an official apology. However, collectivists such as the Chinese and Japanese see apologies as a person’s recognition of a burden suffered by the target (Oki, 1993), so a public apology from an organization conveys a concern for the other party and does not necessarily have legal implications (Avruch & Wang, 2005; Huang & Bedford, 2009). Nonetheless, because of the concerns for face in collectivistic cultures, a public apology from organizations is rarely seen (Huang et al., 2016; Yu & Wen, 2003). Under such circumstances, McDonald’s apology to the Chinese consumers constituted a positive violation of their expectations, which helped alleviate the severity of the crisis. In contrast, KFC did not apologize until their personal responsibility was confirmed (a month and a half after the crisis), which created severe negative ramifications for the company.

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Finally, applying culture as amoderating variable in examining social media crisis communication extends existing crisis theories. The SMCC model predicts that influential social media creators affect crisis outcomes by their leverage on social media followers, social media inactives, and traditional mass media. In the McDonald’s case, influential bloggers assumed leadership roles in guiding public opinions and emotions. Even though McDonald’s responded to CCTV’s negative exposure quickly by issuing an apology on its official blog, the apology post did not go viral until influential bloggers commented on it and reposted it. One hour after the apology, over 10 million consumers or social media consumers had viewed the post. One day after CCTV’s report, negative perceptions dramatically decreased after influential bloggers refocused blog followers’ or social media consumers’ attention to the general state of China’s food safety, and many people became angry at CCTV for “blackmailing” a company that has upheld much higher standards compared to domestic Chinese companies. The “I trust McDonald’s over CCTV” campaign was also first initiated by influential social media creators. The persuasiveness of these social influencers can be better understood given China’s collectivistic and high power distance nature. As a high power-distance society, opinions expressed by people held in esteem such as influential bloggers can galvanize public opinion swiftly and strongly. Additionally, as discussed in the introduction section, collectivists form trust based on structural relations between people (Shin & Park, 2014), so social media followers are more likely to trust information they receive on social media sites as the information is “endorsed” by their friends. Therefore, although the SMCC prediction is accurate with regard to the crucial role of influential social media creators, culture moderates that relationship and makes the effect of influential bloggers even stronger in collectivistic, high power distance societies. From a practical perspective, organizations need to be aware that influential bloggers become especially influential in some cultural contexts and need to monitor digital spaces for such presences.

To summarize the case study results, there are three important theoretical take-away messages. First, because the level of attribution and the severity of risk should be evaluated from the stakeholders’ perspective (Heath, 2006), understanding local cultural practices can help organizations especially MNCs to better assess attribution and response. Second, although public apology has legal implications in Western societies, it does not in China, and MNCs need to keep this in mind. Further, because public apology is rarely used in China for fear of “losing-face,” employment of apology can exceed stakeholders’ expectations and leads to positive outcomes. Finally, although the role of influential social media creators has been recognized by crisis scholars (e.g., Jin et al., 2014; Liu et al., 2012), their importance is even more magnified in collectivistic cultures. In conclusion, the analyses of McDonald’s and KFC’s crises management demonstrated the multiplicative interaction effects between culture, organization, and social media in responding to crises. Specifically, this study provides important insight into the mechanics of social media crisis management from a Chinese cultural perspective. The study urges scholars and practitioners to consider the local and cultural contexts in which crises evolve in order to develop effective crisis communication strategies and responses.

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