

Teams 1 & 6 Apple & Foxconn

In September 2012, Apple released its iPhone 5 with much fanfare. Though the reviews of the phone have been good, there have been some issues with the anodized aluminum backing of the phone being easily scratched.

Apple has approached Foxconn, its main supplier for iPhones, concerning this quality control issue. Foxconn promised Apple that the matter would be solved.

In October 2012, the labor rights group China Labor Watch (CLW) reported that 3000 to 4000 workers at the Foxconn factory in Zhengzhou went on strike because of the increasing quality controls and because they had to work through the week-long National Day holiday.

The CLW also reported that on September 23, 2012 workers at Foxconn's Taiyuan plant rioted over working conditions and that many people were injured.

Foxconn claims that everything is fine and that it will be able to meet the production requirements for the iPhone 5.

Apple has had a string of negative publicity this year because of Foxconn factory issues leading to Apple becoming the first electronic company to join the Fair Labor Association. CEO Tim Cook also visited the Foxconn factory in Zhengzhou in March 2012 to show the company's dedication to standard labor practices.

In recent weeks, several financial publications like Bloomberg have reported that Apple will not be able to meet iPhone 5 demands because of production problems. Apple's stock value has decreased by 16% over the past three months.

On November 26, Tim Cook makes a surprise visit to the Zhengzhou plant in China. In order to help calm investors nerves by showing all is well with iPhone 5 production, he brings along a group of reporters from the *Financial Times* and *BusinessWeek*.

As the group is touring the main production facilities, a photographer from the *Financial Times* decides to go on the production floor for some close-up shots. A commotion starts on the east wing of the plant as disgruntled workers from another building bust through the doors and begin wrecking the place. Security guards arrive and riots break out. Several of the workers are seriously beaten before order is reinstated. The photographer, the reporters and Tim Cook are quickly whisked away from the scene, but not before the photographer is able to email photos via his smart phone.

On November 27, the front page of the *Financial Times* runs a picture of a security guard beating a Foxconn worker. On the catwalk in the background, Tim Cook can clearly be seen watching the event. The headline read "iRiots poison for Apple?"

The picture is also picked up by the Associated Press and Reuters. Several Labor Organizations condemn Apple for working with Foxconn.

Once again, Apple finds itself in a public relations nightmare. Foxconn is worried that it will lose its contract with Apple, as well face as government fines.

How will Apple handle this crisis?

How will Foxconn handle this crisis?

Team 2 – Coca-Cola

Last week, several cans and bottles of Coke sold in the greater Chicago area of the United States were reported to contain syringes inside the product. A local television station ran a story about the incident, as well as the newspapers *The Chicago Sun Times* and *The Chicago Tribune*. Coca-Cola executives are slow to react because they think it is a copycat of the Diet Pepsi Crisis of the early 1990s.

On November 26, 2012 the University of Chicago Medical Center reported a case of child that choked to death on a *syringe needle* (the child died in the ambulance in route to the hospital). According to the EMTs, the child was clutching an empty bottle of Coke when they arrived.

On November 27, *The New Oprah Winfrey Show* (a syndicated talk show based in Chicago that draws an average of 8 million viewers per episode) spends its entire broadcast discussing the death of the child and blaming Coke for not taking the syringe issue seriously. This evening, all three major US networks begin its news coverage with this story.

How will Coca-Cola handle this crisis?

Team 4 –Carrefour

In May 2012, Georges Plassat became the new CEO of Carrefour, the world's second-largest retail store. Mr. Plassat, a self-made millionaire, was brought in to help turn the retail giant around. The company stock price has tumbled 29% since 2007.

The company has been facing particular problems in China, where in March 2012, a report by Chinese Central Television stated that Carrefour had tampered with its food. It said employees at a Carrefour store in the central city of Zhengzhou changed expiration dates on some chicken and sold regular chickens as more expensive free-range birds. Food safety is a sensitive issue in China

The company has also faced issues with suppliers. In October 2012, six Carrefour food products including cheese and yoghurt imported by a Shanghai trade company, Kraft sugar-free chocolate baking pieces and a New Zealand baby milk formula were destroyed or returned by China's Customs for quality problems.

On November 24, the French television show *Envoyé Spécial* runs a story about Carrefour's quality problems abroad. The story highlights the two previous mentioned incidents. The show outlines its own investigation in two stores in Dijon and Lyon. For the story, two anonymous employees – one from each store – were equipped with hidden cameras during their shift at the store. The footage from both locations shows Carrefour employees changing the expiration date on store brand chicken and merguez sausages. The film also highlights fruits and vegetables arriving from suppliers that are covered in mold. Several boxes of Carrefour's Mini Cookies kids cereal are opened in the warehouse. The cereal is also covered in mold.

Envoyé Spécial's conclusion is that Carrefour has cut back on its quality control in order to save money. It states that store managers must do what they can to sell more items or be fired from their job. Carrefour is painted as a company in dire straits that will do anything to increase its revenue.

The show is watched by 2.9 million people that night.

On November 25, social media is alive with this topic. A Facebook page is created called "Boycott Carrefour". Several clips of the show appear on YouTube. An editorial runs in *Le Monde* on the following Monday called "Is Carrefour Dead?"

Once again Carrefour finds its quality control practice called into question.

How will Carrefour handle this crisis?

Team 5 – Zara

Zara is a Spanish clothing store that first opened in 1975. In recent years it has focused on expanding in Asia. Analysts say that Zara has been trying to expand too fast and that it is affecting quality.

On November 24, the French television show *Envoyé Spécial* runs a story about Zara' quality (this story followed the one about Carrefour). The story focuses on a report by the Chinese Business News that states the company has had at least seven quality scandals since August 2009.

The report refers to a study by the Beijing Municipal Association of Consumers that tested 57 products by Zara. Twenty out of the 57 samples failed to pass the test due to fiber content, color fastness, formaldehyde content and PH value. Fiber content was the most problematic because 10.5% of the unqualified samples are related with issue.

The report gave the example of a pair of Zara-branded trousers: its label shows that this pair of trousers has 75% cotton, 20% wool and 5% terylene. However, the test shows that its real cotton content is only 68.2%, 6.8% lower than the label claims. The wool content is only 10.6%, nearly half of the label shows. Polyester fiber, which we call terylene, takes 15.7% of the whole fabric, twice of the label.

Envoyé Spécial argues that the rapid expansion of Zara has not only cause quality problems in Asia, but also in France. The story cuts to a reporter buying a pair of pants and a shirt at the Zara store in Dijon. The story then transitions to the reporter at the Intertek office in Paris. She submits the items to Intertek's Fibre Analysis Laboratory for testing. The results show that both products contain more terylene than is listed on the label

The reporter concludes her story stating that, by using more terylene to save on costs (it is cheaper than wool or cotton), Zara's quality is going down therefore doing unlimited damage to its brand name.

The show is watched by 2.9 million people that night.

How will Zara handle this crisis?

Team 7 & Team 8 Fujitsu & Facebook

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services.

In October 2012, Fujitsu released a computer “for women”. The “Floral Design” computer is aimed at “female [computer] users” and was designed primarily by Fujitsu’s female employees, according to a press release. The device—which strives for “elegance”—comes with 12 daily horoscopes and a digital scrapbook that “automatically stores and organizes pictures and URLs of the items, retail stores, recipes, and other content that users come across when they are casually browsing the Web.”

Hoping to increase sales of the computer during the holidays, the company launches a new Facebook page marketing the “Floral Design” computer and its new “Facebook” button that is incorporated into the keyboard. The button allows you “to share recipes and gossip with your girlfriends before making your man dinner.”

Several people begin making negative comments on the page calling Fujitsu sexist and immoral for creating such as product. Several people also call in question Facebook ethics for allowing a “shortcut” button on such a product.

On November 26, *The View*, an American morning talk show, does a special report on the “Floral Design” and its Facebook button instructing its audience to not buy such a sexist product and to stay off of Facebook in protest. The show is viewed by 4.3 million that day. The story is picked up by other television networks and begins to spread virally through social networks.

How will Fujitsu handle this crisis?

How will Facebook handle this crisis?

Please note that all crises are fictitious and are for academic purposes only.