

The essay will analyze the method Inner Mongolia Mengniu Dairy Co. Ltd.(Mengniu Dairy) had employed to build its corporate reputation in the past and will bring up some suggestions about its methods and strategies.

1. Introduction

Nowadays, because of the advancement of society, such as new media and technology, it is an undeniable fact that corporations have to face more challenges and risks when they are trying to build, maintain and protect their reputation. Therefore, how to manage their corporation image is one of the most important problems for many corporations worldwide and this is especially a problem with some famous international names. At the same time, corporation reputation management is also a prevalent academic research topic. A great deal of scholars, such as Gray Davies and Charles Fombrun, had made contribution to the development of this topic. The essay will analyze the method Inner Mongolia Mengniu Dairy Co. Ltd.(Mengniu Dairy) had employed to build its corporate reputation in the past and will bring up some suggestions about its methods and strategies.

There are three main reasons why this essay takes Mengniu Dairy as the sample to do the analysis:

- 1) As one of the biggest dairy manufacturers in China, Mengniu Dairy has been dominating the domestic dairy sales for many years.
- 2) Mengniu Dairy is a rising company. Founded in 1999, it took Mengniu only 8 years to secure its leadership in China's dairy industry. The important reason why Mengniu Dairy could obtain this surprising achievement is its prominent success in building its corporation reputation.
- 3) Mengniu Dairy's reputation has just experienced a fatal strike in 2008 due to its implication into the toxic powder milk scandal. Therefore, how to rebuild its corporate reputation is an arduous and time-taking task especially given the adverse market situation and the impact of financial tsunami.

Considering the above reasons, the essay could be able to exhibit the effect for the development of a young firm from its successful strategy in building corporation reputation through analyzing Mengniu Dairy. Simultaneously, the essay could also do some creative attempts on rescuing and rebuilding its reputation after the scandal.

2. Background

2.1 Definition of Corporation Reputation

There are thousands definitions of corporate reputation. Different scholars give different definitions from different aspects. The essay adopted the definition from Fombrun and Rindova (1996, p2):

A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments.

2.2 Background of Mengniu Dairy

Inner Mongolia Mengniu Dairy Co. Ltd. was founded in 1999 in Huhhot, Neimenggu, China where another dairy manufacturer giant named Yili Dairy Group already dominated the market. Mengniu Dairy succeeded in keeping a miraculous speed of development in the already-saturated market situation from the start to 2008. According to the official status from Mengniu Dairy, the Compound Annual Growth Rate (CAGR) of its sales revenue was 121% (Mengniu Dairy, 2009). The CAGR of its profit was 159% (Mengniu Dairy, 2009). It is also the first firm whose revenue surmounted RMB 20 billion yuan in China (Mengniu Dairy, 2008a). Mengniu Dairy occupied the largest slice of the domestic dairy pie in 2007 with a percentage of over 25% (China Industrial Information Issuing Center, 2008). Mengniu also topped the sales of liquid milk, yogurt and ice cream for three consecutive years (CGCC & CNCIC, 2008). In the list of 2008 The Asia's 500 Most Influential Brands which was elected by World Brand Laboratory, Mengniu Dairy surpassed Japanese firm Meiji Dairy in the top 226 in the chart, which is only one place lower than Yili Dairy, and successfully established itself as the second largest dairy company from China (WBL, 2008).

It is obvious that Mengniu Dairy experienced great success in the development of its business and corporation reputation before the year 2008. However, 2008 didn't bring with it the expected leap in sales or rise in fame, both its business and corporate image suffered a lot because its product had been found to contain melamine, a fatal ingredient which has been proved to lead to kidney failure in infants and small kids. Based on the announcement from Mengniu Dairy, it might be facing a total loss of approximately RMB 900 million yuan in the financial year of 2008 (Mengniu Dairy, 2008b). More seriously, the damage to the corporate reputation was hard to imagine. Although the crisis management of Mengniu Dairy was timely and effective, yet, it is still beyond the limit of any corporation to take a blow that heavy.

3. Event Management and Crisis Management

Mengniu Dairy's rapid development is benefit from its superexcellent strategy of building corporation reputation. From the beginning of it establishment, the rear of corporation reputation has been known as the most magnitude issue by the directorate. The board decided the strategy was 'Establishing the brand before establishing the factory' (Sun & Zhang, 2005). Mengniu Dairy divided the progress of building its reputation into three processes—Local, China and World (Sun & Zhang, 2005). The most main method of Mengniu Dairy to building reputation is event management. In this part, the essay wants to choose three successful cases of Mengniu Dairy to do the analysis. Afterwards, the essay will analyze the crisis management of Mengniu Dairy about toxic milk scandal.

3.1 Attaching Its new brand to the Famous Brand

It was an undeniable fact that Yili Dairy Group was the biggest dairy firm in Neimenggu province when Mengniu Dairy was founded in 1999. Meanwhile, there are also several less big dairy firms existing in the same area. Compared with these corporations, Mengniu Dairy did not have any advantages in the aspects of fund, sale and resources of milk. However, Mengniu Dairy allocated over 1/3 of its capital to build its corporate image (Sun & Zhang, 2005). During this period, 蒙牛乳业的宣传采用了将自己品牌与内蒙古最大的乳业品牌伊利捆绑出现的策略。According to the decision about 'Establishing the brand before establishing the factory', 在公司成立后不久, it brought the usufruct of more than three hundred billboards in Huhhot and published a advertisement said '蒙牛乳业, 创内蒙古乳业第二品牌'. 随后蒙牛又投放了大量宣传内蒙乳业的广告, 这些广告无一例外的把最大竞争对手伊利放在内蒙古乳业的

首位，蒙牛紧随其后。Mengniu Dairy successfully established its local corporation reputation through this strategy. A series of PR activities based on this idea had been published on different kinds of media. This project also has brought two marked fruits to Mengniu Dairy. Firstly, it makes customer feel that Mengniu Dairy was the leader of the dairy industry. Secondly, it helps Mengniu Dairy obtaining more growth space from its competitor.

3.2 Attaching its Brand with Shenzhou V Human Spaceflight Mission

Shenzhou V was the first successful human spaceflight mission of PRC in 2003. By right of this historical affair, Mengniu Dairy has been succeeded in expanding the corporation reputation to the national extension.

Mengniu product had become the designated dairy product of Chinese cosmonaut before two years of Shenzhou V mission. For using the success of Shenzhou V Human Spaceflight Mission to enhance the brand image, Mengniu Dairy had had excellent scheme and done abundant preparation. Mengniu Dairy employed some PR firms and AD firms designed a series of advertisements, brochures and new packaging of its products which theme were celebration and patriotism. On the other hand, these advertisements and packaging also clearly expressed the fact that Mengniu product was the designated dairy product of Chinese cosmonaut.

On the aspect of media strategy, Mengniu Dairy has decided to employ the means as the 'emphases plus support' (Ruo, 2004). In the first place, a mass of advertisements was been played on more than forty TV Channels (Sun & Zhang, 2005). The result was that audiences were fiercely impressed the notion 'The Designated Dairy Product of Chinese Cosmonaut' when they watched TV. Meanwhile, by the strategy of 'whole-picture scheme', Mengniu Dairy could make their target customers have this information immediately during the shortest time through all kinds of media that could be touched by the customers such as poster, outdoor-media, media-news, newspaper and internet advertisements (Beijing Evening News, 2003).

The slogan of these advertisements were successfully combined the brand with the patriotism and national pride. For instance, the first advertisement's slogan after the success of Shenzhou V mission was 'Raise your right hand, Applause for China' (Beijing Evening News, 2003). 这个公益广告巧妙地以为中国喝彩的主题，伴随着蒙牛是制定引用乳品的信息，体现了表现蒙牛品牌联系到了一起。All these promotion activities related to the Shenzhou V effectively infused the new characters, such as patriotism and responsibility, into the corporation reputation of Mengniu Dairy. One of these

advertisements which theme was 'Mengniu strengthens Chinese people' used to be a Chinese EFFIE golden award winner in 2004 (China Advertising, 2004).

The outcome of this promotion project was prominent. According to the statistic from AC Nielsen, Mengniu Dairy's 正是从神舟五号成功之月起开始长期占据国内 liquid milk 的榜首 (Sun & Zhang, 2005). The corporation of Mengniu Dairy 借着神五成功的契机被成功的提升到了一个新的高度. Such as the opinion expressed in an article (Han, 2006) that there are several designated products for cosmonaut but Mengniu is the only one people could remember after a while.

3.3 Mengniu Sour Sour Yogurt and Super Girls

The Super Girls is the most remarkable show programme such as American Idol in China. it is conducted by Hunan TV and aim on girls who like singing song. The cooperation between Mengniu Dairy and Super Girls in 2005 was the most perfect case of improving corporation reputation for Mengniu Dairy until now.

In 2005, Mengniu Dairy decided to enter the yogurt market due to the decrease of profit from liquid milk's sale (Luo, 2008). Mengniu Sour Sour Yogurt was the new product which target customers was young and fashion girls. Therefore, Mengniu Dairy combined with Super Girls show in 2005.

There are two special characteristics about this cooperation. Firstly, Mengniu Dairy did not simply buy the naming right. It also utilized its gigantic marketing network to organize primary competitions in many areas. Secondly, it is the first time for Mengniu Dairy to put emphasis on improving the corporation of its Subsidiary brand—Sour Sour Yogurt.

The Super Girls show achieved unprecedented success in 2005 because of the enormous fund support and social resource form Mengniu Dairy. There were over fifteen thousand players participating to the show and over 400 million audiences watching the programme (Zhang, 2005). Although Mengniu Dairy invested about RMB ten million on this programme, 蒙牛酸酸乳的销售额比活动前翻了三倍, 大概将近 20 亿人民币。

After 2005 Super Girls show, Mengniu Sour Sour Yogurt totally dominated the domestic yogurt market. Compared with other dairy firms, the reputation of Mengniu

Dairy was also improved to be the leader position depending on the tremendous amount of sales.

3.4 Crisis management

Charles Fombrun (Brady, 2005) pointed out that the corporation reputation consists of: emotional appeal, products and services, financial performance, vision and leadership, workplace environment and social responsibility. To analyze Mengniu Dairy by this theory, it performed excellent in all the aspects expect product.

On 16th, September 2008, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ) published an investigation report pointing out that some batches of Mengniu Dairy, Yili Dairy and Guangming Dairy's product contained melamine which could lead to genitourinary illness (AQSIQ, 2008).

In the general, the performance of crisis PR of Mengniu Dairy basically obeyed the 3T (Tell You Own Tale, Tell It Fast and Tell It All) principles (Regester, 1987).

On the aspect of positive response, the reaction of Mengniu Dairy was in time. Mengniu Dairy published its formal statement on 17th, September 2008. There were four key points in this statement: It will immediately recall all the problem products. 根据国家标准双倍 compensate the patients cased by the product within five years. It will continue purchasing qualified milk from farmer. All kinds of its products will be inspected by Chinese Academy of Inspection and Quarantine (Mengniu Dairy, 2008c). Then, Mengniu Dairy initiatively invited relevant journalists and public consumers to visit its workshop which aimed to help them understand the process of the manufacture (Mengniu Dairy, 2008d), and firstly announced that it would use the live video broadcast the production process to facilitate the public supervision (Mengniu Dairy, 2008e). It is undoubted that these plans get itself the access to the public excusal effectively.

Meanwhile, Mengniu Dairy adopted the capital-backed strategy, obtaining financial support from government and other domestic corporations, to avoid the bankruptcy and related risk of mergers and acquisitions by foreign competitors. According to the news report, Mengniu Dairy has successfully released from the contract of stock equity mortagage with Morganstanley and has obtained certain amount of guaranteed loan from such domestic institutions as Legend Holdings Ltd (Liu, 2008).

从总体来看, 与其他奶制品企业的危机公关相比, 蒙牛显得更为诚恳和主动。这也有效地减轻了住了由于毒牛奶事件对于公司声誉的打击。

4. Suggestion

Considering above analysis and the latest information, 由于公司声誉破灭对其带来的负面影响并没有结束, 如何通过有效地危机公关玩就企业 reputation 仍然是其在很长一段时间内的主要任务。蒙牛公司现在面临这一个机会与危机并存的局面:

- 1) According to the report, the sales of Mengniu Dairy in December 2008 has restored to about 70% of its previous level (Li, 2009). It means that previous crisis PR activities were effective and corporation reputation has been being repaired.
- 2) The AQSIQ recently acknowledges that the safety of OMP, which is contained in Mengniu Dairy's high-class product—Telunsu, is under discussing (AQSIQ, 2009). It is hard to evaluate the loss of corporation reputation if Telunsu is proved to be toxic.
- 3) Some dairy firms, such as Sanyuan Dairy and Wandashan Dairy, have been rapidly occupying the market share because they are not involved in the toxic milk scandal (Chen, 2008).
- 4) Considering the existed loss and potential loss about Telunsu, it is undoable that the financial chain of Mengniu Dairy is still tensive.

Admittedly, the core problem arouse the crisis of Mengniu Dairy is quality, how to improve the quality of product was not the main mission of PR. Therefore, the essay will only make some suggestion for the angle of PR. There are four suggestions to rebuild corporation reputation for Mengniu Dairy 在这样一个严峻的局势面前:

- 1) 运用各种手段, 进一步加强公司与政府之间的合作, 争取获得政府的支持. There are three purposes through enhancing the relationship with government. Firstly, it might help Mengniu Dairy avoid Telunsu being proved to be toxic. 如果不能避免这个结局, 应当努力争取政府推迟正式颁布结果的时间以便公司采取主动的处理措施. In the next place, it could help Mengniu Dairy obtain more chance to participate national activity 以便发挥公司在 event management 上的特长来修复 corporation reputation. At last, it could help Mengniu Dairy obtain more fund and policy support from government.
- 2) Mengniu Dairy should put emphasis on respectively enhancing the reputation of its Subsidiary brands. For instance, Telunsu and Milk Supreme are the high-class products of Mengniu Dairy. 公司应当赋予设计不同的 promotion, 淡化蒙牛商标在这两个产品上的影响, 帮组这两个子品牌建立相对独立的品牌形象和声誉. Through this way, the sales of could be enhance and the risk of scandal could be detracted.

3) Mengniu Dairy should continue employing the power of media. It could employ a basic PR skill—expressing information by independent voice. Mengniu Dairy could manipulate some journalists and scholars to express the information that 国产奶制品经过整顿后还是安全的, 同时夸大伊利蒙牛等大型企业破产或被外资收购对中国经济所带来严重后果. 这样的舆论可以导致三个后果: 1 恢复消费者对国产奶制品的信心 2 通过激发起人们的爱国心抵御外资品牌的进入 3 对政府施加舆论压力以获得更多的扶持。

5. Conclusion

Concerning the analysis of Mengniu Dairy, it could be clearly and fully understand that choosing appropriate scheme to build the corporation reputation is so profound force for a new-coming corporation. Depending on excellent event management, Mengniu Dairy rapidly improved its corporation reputation which was the impetus behind the fantastic development of business. However, as the essay mentioned above, corporation reputation is composed of different parts. Accompanied with the fast growing of its reputation, Mengniu Dairy was failed to keep the balanced growth of all these different parts. It is the radical reason why Mengniu Dairy had been seriously derogated in 2008. Therefore, 从长期来看, 蒙牛如果想要使得 reputation 获得持续稳定的发展就必须实现在企业发展的过程中兼顾所有这些因素。